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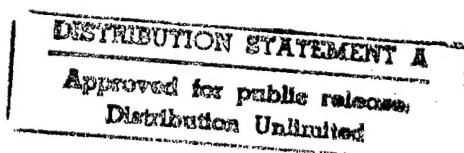
JPRS-CEA-86-039

10 APRIL 1986

China Report

ECONOMIC AFFAIRS

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10 April 1986

CHINA REPORT

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NATIONAL POLICY AND ISSUES

COMMENTARY REVIEWS NEED TO MAINTAIN SUITABLE GROWTH RATE

HK180900 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 86 pp 3-5

[Economic Commentary by Hu Ji [5170 1323] of the State Council Research Development Center: "Carry Out the Reform with a Coordinated Policy and Maintain and Appropriate Growth Rate"]

[Text] In the year 1985 which just has passed, our country made an all-round overfulfillment of the Sixth 5-Year Plan for the national economy and social development, reform of the whole economic structure with emphasis laid on the cities took an important step forward, socialist modernization achieved new progress, and the people's standard of living was further enhanced. During the year, we also obtained experience in stabilizing the economy and the whole political and economic situation was a good one.

In the new year, the continued maintenance of the economic development, the good start made in reforming the economic structure, and consolidation and development of the good political and economic situation will have an important significance in triumphantly fulfilling the Seventh 5-Year Plan and laying a reliable foundation for preparing continued strength for further development in the next 9 years. The CPC National Congress has already made a good summing up of the experiences and lessons derived from the Sixth 5-Year Plan and has designated the fighting targets for the Seventh 5-Year Plan, its basic guiding principles, and the principal guidelines and policies. If only we can realize the party Central Committee's recommendation for the Seventh 5-Year Plan, we can surely perform the 1986 economic work well. In my estimation, to enforce this "recommendation," it is worthwhile grasping the following two points which relate to correctly handling relations between the reform of the economic structure and economic development: on the one hand, it is necessary to insist on the reform, advance firmly, and promote economic stability; and, on the other hand, we should maintain a suitable growth rate, improve the economic environment and create the necessary conditions for further reform.

I. Firmly Insisting on Reform and Advancing Steadily

During the Seventh 5-Year Plan period, reform of the economic structure will have priority in economic work. This guideline is a correct one. Economic development relies on reform of the economic structure to provide an economic operating mechanism which is full of life and vitality. Reform of the economic structure is the vanguard and condition for economic development. In the

Sixth 5-Year Plan period, an unprecedentedly good situation since the founding of the PRC appeared in our country. The financial and economic situation basically turned for the better and the national economy demonstrated a new state of a sustained, stable, and coordinated development. Fundamentally, this was due to the thoroughgoing enforcement of the guideline of reform, opening up to the outside, and invigoration.

Reform of the economic structure is a revolution. It is a newly-created undertaking, with no existing examples to refer to and lacking a fixed pattern to follow. The only way is to grope way forward. Hence, in the course of the reform, while new progress may be made in our country's socialist four modernizations, we cannot avoid new errors creeping in at the same time. It certainly will enable our country's socialist economic structure to make new breakthroughs but at the same time we will encounter new contradictions. We must clear-headedly recognize this two-sided situation. At the same time we must clearly note that of these contradictions and errors some are originally the chronic diseases of the old structure such as one-sidedly seeking quantity and speed; some can occur because in the change of track from the old to the new temporary shortages may have caused a lack of coordination in the reform. For example, in 1985, the rural policy changed from liberalizing to fully opening up but urban reform did not catch up; and while following macro-opening up and invigorating, macro regulation and control could not keep up with the pace. Hence, only through firmly insisting on reform and deepening the reform will it be possible to overcome the new contradictions and errors and for the various kinds of work to continuously advance. The basic road out is to reform. Tightly holding to the drawbacks or making half-hearted efforts will get us nowhere. Some people, on seeing that the brakes are being applied on the "over-heated economy" and the investment scale is coming to a "halt," may think that reform will also be halted. This is a misconception. Overall enforcement of reform of the economic structure with emphasis laid on the cities will be the focal work during the Seventh 5-Year Plan period in our country, we must be firmly resolved and strive hard for its fulfillment.

We must also note that precisely because in the reform there may appear new contradictions and discrepancies which are difficult and complex in character, it is necessary, in the methods and steps of the reform, to be extremely cautious in work and to progress steadily. In this regard, we have plentiful experiences and lessons. In 1985, based on the guideline of a firm resolve, taking care in the initial encounter and firmly determined to succeed, we carried out the first stage of reform principally in the price structure and labor wages. The direction of these reforms was correct; the initial encounters proceeded smoothly and basic success was attained. But certain problems still prevailed. For example, in the price reform, the preparation work of certain regions was not sufficient, the steps taken by certain products were too fast while the guiding and coordination work could not follow up. All this, together with the inflated social needs, at one point brought about the phenomenon of a too-excessive rise in commodity prices, particularly in the prices of fresh, live, and subsidiary foodstuffs and in the prices of the "three categories" of construction materials. It was only after the party and government had taken a series of measures to stabilize the commodity prices that the normal situation was restored. In 1985, against the phenomena of an

"overheated economy" seen in the winter of 1984 and spring 1985 such as excessively inflated demands and a too-rapid growth in industrial production, steps were taken to strengthen macroeconomic regulation and control and successes were scored. But due to the whole coordination procedure being insufficient and some of the regulation measures and mechanisms not being efficient and effective, the results attained were not up to expectations and in fact were very unbalanced. Reform of the taxation system was relatively successful, laying the foundation for the distribution relations between the state and the enterprises. Fiscal revenues steadily increased, initially demonstrating the regulation role of the tax rates. Currency reform had a rather belated start, there being many problems while the banking structure was not still in a healthy condition and, in regard to the monetary policy, the control mechanism and the conduction system were still not perfect. Hence, broadly speaking, tightening the monetary supply could produce no appreciable effect while on the microeconomic side there were phenomena of crippling restrictions on certain sides.

Reform of the economic structure is for the purpose of serving economic development. Right now it is necessary to stabilize the economy for services that will subsequently be needed. The reform in 1986 should revolve around the call for stabilizing the economy and, in regard to the reform measures already being instituted, emphasis should be laid on consolidation, digestion, supplementing, endorsing the advantages and removing the disadvantages, and solving the outstanding contradictions. Moreover, it is necessary to coordinate the measures which are being enforced, advancing with firm and steady steps so that the reform can yield even better results. It is suggested that coordination be carried out in a three-fold manner, namely, strengthening macro-indirect management, strengthening the enterprises' vitality, and developing regulation by market mechanism and that stress be laid on performing the following points well:

Continuing to strengthen and perfect macroeconomy's indirect control. Micro-opening up and invigorating constitute reform; so macro strengthening of indirect management is also reform. We must strengthen the overall balance of plans and adopt a retrenched financial policy and monetary policy. Aside from adopting the necessary administrative measures for direct control, we must resort more to the economic measures for indirect control, make a better display of the functions of economic levers, tightly grasp the formulation of a number of economic laws, and strengthen economic supervision and inspection. We should conduct research on the formation of a perfect banking structure and better display the functions of banks in regulating social supply and raising and merging funds. We should grasp tightly the research on, and adopt, effective policies and methods for the control of the fixed asset investments of the whole society. We should study and enforce a system for the control of foreign trade and foreign exchange, increase the foreign exchange earning capacity of exports, enable imports to lead to more exports, and generally perform a good job in the conservation and use of foreign exchange.

We must further strengthen the vitality of the enterprises, particularly the large and medium-sized enterprises. Macroeconomy's indirect control must rely on microeconomy's vitality, motive power, and pressure to produce an active

response. For this reason, it is necessary to further carry out the State Council's relevant regulations on enlarging the decisionmaking power of the enterprises and increasing the vitality of the large and medium-sized enterprises, to create the necessary conditions for invigorating the enterprises. At the same time, the enterprises must be made to cast their eyes inward, strengthen operation and management, enforce the various responsibility systems within the enterprises, tap the hidden internal potential, and improve economic benefits.

Developing the economic horizontal relations and gradually strengthening the market competitive mechanism. It is necessary to continue to break down the demarcation lines and blockades between the departments and the regions. The departments, regions, and cities they should open up to one another. The various forms of economic horizontal relations should be encouraged. The commodity markets should be enlarged while the money market and technology market should be gradually opened up and developed. Rational flow of labor power should be facilitated so as to create conditions for the gradual formation of a socialist market system.

In addition, we must continue the experiments on urban overall reform and the experiments on certain unitary projects (such as opening up markets for means of production and treating residences as commodities), thus storing up experience for further reforms.

II. Continuing To Curb Demand and Maintaining a Suitable Growth Rate

In the above, we mentioned that reform should serve economic development. But economic development should also create conditions for reform. This is an important experience to be drawn from economic life. During the Sixth 5-Year Plan period, our economic development was basically sound and the reform also progressed smoothly. What is worth noting is: Just as mentioned above, in winter 1984 and spring 1985, the phenomena of an excessive inflation of demand and an excessive growth rate in industrial production appeared. This caused social gross demand to far surpass social gross supply and an over-tightening of economic life. It was highly disadvantageous to the sustained, stable, and coordinated development of the economy, impeding the smooth progress of structural reform. In order to remove these unstable factors, in 1985, the party Central Committee and the State Council promptly and correctly adopted a series of macro regulation measures which yielded initial results. The industrial growth rate dropped from 23.1 percent in the first half year to 8.8 percent in November. A good situation seldom seen for many years developed on the financial front and revenues and expenditures were basically balanced. Granting of credit and loans was under control. Basically, the ill wind of the unbridled issuance of banknotes was curbed. The scale of capital construction investment was brought under control, the urban and rural markets were invigorated, and the rise in commodity prices began to be halted.

It should be pointed out that the macro regulation and control in 1985 was not like "stepping on the brakes suddenly" as in past years but was a case of "slow and mild braking." The past "emergency braking," as in 1958, 1970, and 1979 caused "great ups and downs," violent reverberations and serious losses

and greatly dampened the enthusiasm of the broad masses of cadres and people. Due to "huge rises" on several occasions which not only were very large in scale but also spread over a long period, the accumulated problems were many and "violent fall" was inevitable. But the situation in 1985 was different. Due to the problems being discovered promptly, quick action was taken to keep the situation under control, making "slow braking" possible. Huge rises and minor falls rendered it possible to gradually ease up the situation, to take several years to digest, to absorb the ascent over several years, and to take 3 years to strive for realizing the basic balance of the social gross demand and social gross supply.

The "slow braking" process in 1985 was only the beginning. It must be continued in 1986 and 1987. In reality, the 1985 industrial growth rate is estimated at 17 percent, still on the high side; the scale of the gross fixed asset investments of units owned by the whole people is estimated to increase by 35 percent over the preceding year, the gross volume of salaries and wages for the whole country is estimated to have increased by 20 percent over the preceding year. Both have surpassed the gross value of the GNP and the growth rate of the national income. The increase in the gross volume of retail sales of social commodities also surpassed the growth of light industry. This clearly shows that social gross demand still exceeded social gross supply. Under such conditions, industrial production in 1986 should, on the basis of increasing the economic results, increase appropriately. We should strive to keep the real growth rate within 10 percent while the planned growth rate should be a little lower and we should allow ourselves sufficient ground to strive to attain a normal growth rate, that is, about 8 percent, as specified in the Seventh 5-Year Plan. The scale of fixed asset investments should also mark time at the original spot, generally maintaining the 1985 level. The growth in the total volume of wages and in the consumption funds should in general be suited to the heightening of industrial and agricultural production and of the labor productivity rate. Only by so doing will it be possible to carry out "slow braking," and prevent an excessive issuance of banknotes and overuse of foreign exchange holdings. It will play the role of stabilizing the economy and the commodity prices.

One-sidedly seeking and blindly going after speed in development has been an outstanding problem in economic work in our country in recent years and is an important factor causing inflated demand. In 1986, it will be necessary to overcome this improper trend and truly shift economic work to the track of improving economic benefits. We should outstandingly grasp the two stages of improving the quality of products (including increase in variety, renovation, and replacement) and lowering the consumption of materials. We should let the factors of the rise in prices of raw materials and fuels be absorbed as much as possible inside the enterprises and reduce the excessive import of packaged goods and raw materials. At the same time, we should promote the development of light industry and encourage and promote the production of good quality goods and goods of well-known brands, products that can be exported and earn foreign exchange, and goods known to be in very short supply. The market's supply of commodities should be enhanced and the basic stability of commodity prices should be maintained.

Strict control over the scale of fixed assets, particularly over capital construction investment so that it will not surpass the state's financial capacity, particularly the capability of the supply of material power, will still be a key task with a bearing on whether or not the economic situation can be stabilized in 1986. The basic problem at present is still that the projects under construction are too many and of too large a scale. Hence, it must be stipulated that construction of new projects should not be allowed except after being specially sanctioned. As for the projects still under construction, they should be screened in real earnest and a number of them should be stopped or deferred. On this basis, the investment structure should be readjusted. Construction of the major projects must be ensured, the technical transformation, expansion, and rebuilding of existing enterprises should be stepped up. We should speed up construction of the final stages of projects which cost little money but produce quick results and earnestly improve the investment results.

We must make the income of the staff members and workers and the consumption funds grow in a planned manner. In regard to the system of the wages of the staff members and workers of enterprises, due to the method of linking wages to the delivery of taxes and profits to the state being very imperfect, experiences can only be summed up from experimental points within a rigidly prescribed scope. At present, the problem of a small number of people receiving an exceedingly high income and of the generally unjust method of distribution has already become the topic of discontent among the broad masses of populace and has become an important factor affecting the stability of the workers corps and social security and unity. It creates competition for increasing growth rates and stimulates the further inflation of consumption funds. These people have not become rich through work but through reliance on "relationships," on questionable means, and on taking improper channels, thus impoverishing the state and enriching themselves. This problem requires thorough investigation and study and coordination measures must be formulated in real earnest to have it solved smoothly.

Through keeping demand in check and maintaining an appropriate growth rate, we can surely basically eradicate the phenomenon of overheating and unstable factors within a relatively short period of time and create a relatively liberalized economic environment to further promote the reform of the economic structure.

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NATIONAL POLICY AND ISSUES

JOURNAL EXPLAINS SOCIALIST JOINT-STOCK SYSTEM

HK200030 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 86 pp 23-28, 34

[Article by Shi Yousheng [2457 0147 3932], research student of Department of Theoretical Studies, CPC Central Party School: "Exploring a Model for China's Joint-stock System"]

[Text] The establishment of a joint-stock system in China is an inevitable outcome of the antagonistic movements of the socialist relations of production and the productive forces. It is also an inevitable option following the deepening of economic restructuring. This formidable and complicated task of systems engineering in society can only be put into practice after experimentation on the basis of ample theoretical research and well-thought-out planning.

I. Actual Difficulties in Separating Ownership From the Power of Operation

The fundamental objective of our present reform of the economic structure is to build, in line with the principles governing a planned commodity economy, a socialist economic structure with Chinese characteristics that is full of vigor and vitality. With this objective in mind, it was only natural that the invigoration of enterprises, especially the large and medium-sized ones owned by the whole people, became the key element in the economic restructuring. These enterprises were to be made relatively independent producers and operators of socialist commodity production, each enjoying full power of management and bearing complete responsibility for profits and losses. In the meantime, the state, in its management of state-owned enterprises, gradually switched from direct to indirect control (while applying necessary statutory administrative means). This was how the switch from the highly centralized structure of a product economy to that of a planned commodity economy with great vitality was effected. The practice of reforms has already demonstrated the correctness of this direction.

In the reform of the economic structure, some people put forward the view that under socialist conditions, ownership of the means of production by the whole people and the power to operate these can be separated, using this to justify the existence of the socialist planned commodity economy. However, there are two difficulties in separating ownership from the power of operation in actual practice. If the owner delegates all power of operation to the enterprises, which are not owners, and gets economic benefits merely by reason of ownership,

then the superiority of the planned economy built on the basis of the socialist system of ownership by the whole people will not be reflected, and we will run into the danger of losing macroeconomic control, so much so that both the owner and the operators will find their economic benefits impaired in the end. It can thus be seen that the complete separation of ownership from the power of operation is not something we want to achieve in our economic restructuring. If this separation is an incomplete one, there will arise the difficulty of dividing the power of operation. It is very difficult to draw a clear distinction between the power which the government as the owner must retain and that which the enterprises and to hold as economic entities. At the initial stage of the reforms when enterprises ran out of control following the delegation of power, management organs of the government at various levels cashed in on their ownership to take back the power of operation delegated to the enterprises. This was a manifestation of the lack of a clear distinction. Different standards of value judgement were accountable for the capricious turns in the division of the power of operation and the endless wrangles between the enterprises and competent government departments. Contradictions have arisen between the functions of the socialist state in the management of economic affairs and the relative independence of enterprises as commodity producers.

The crux of the division of the power of operation lies in the distribution of economic benefits. The absence of rational and stable relationships where authority is concerned has given rise to the second difficulty: how can we ensure a more substantial growth of economic benefits for the state while revitalizing the microeconomy and securing more economic benefits for the staff and workers and the enterprises, so that we can achieve the objective of promoting production and making the people rich and the country strong in our reforms. If the enterprises are mere business entities, their interests will clash with those of the owners, and they will do all they can to bargain with the owners for more benefits, even resort to tricks to feather their own nests at the expense of the owners. The objectives of the owners and the operators also differ. In their preoccupation with the task to increase the income of staff and workers, enterprises often resort to short- or even super-short-term behaviors when they should be working for long-term development. Thus, what needs to be done in deepening the reforms is to build a mechanism that can closely combine the interests of the state, the enterprises and the staff and workers, as well as the short- and long-term interests of the staff and workers, and at the same time ensure their simultaneous growth. This will not be easy to accomplish if we let ourselves be guided by the "theory of separation."

The "theory of separation" has two basic theoretical justifications. The first is to quote Marx on the separability of ownership of land and capital from the power of operation under capitalist conditions, drawing the inference that the separation of ownership of the means of production by the whole people from the power of operation under socialist conditions is an objective inevitability. The fact is, Marx only expounded on this kind of separation to illustrate that pure ownership of land and capital is superfluous and will hinder the development of the productive forces. The class of dividend-mongers who receive rent, dividends, and interests by reason of pure ownership is the target of the socialist revolution. As Engels said: It "shows how unnecessary the bourgeoisie are for the purpose.... At first the capitalist mode of production forces out

the workers. Now it forces out the capitalists, and reduces them, just as it reduced the workers, to the ranks of the surplus population." (Footnote 1) (Engels: "Socialism--Utopian to Scientific" in "Selected Works of Marx and Engels," Vol 3, p 436) The second justification is to cite by way of example the separation of owners of loan capital and share capital from their operators under the capitalist system. While it is true that such separation does exist, it is but a manifestation of social division of labor in capitalist relations of production. It is possible to separate the owners from the operators of the means of production, but ownership of the means of production and the power to operate them are inseparable. Loan capitalists "concede their ownership for a given period, which is to say that industrial capitalists buy this ownership for a given period." (Footnote 2) (Marx: "The Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26, Part 3, p 510) For the loan capitalist, ownership dealing in money capital. For the industrial capitalist, ownership and the power of operation are also one, only his ownership is bound by given conditions and time. He uses the capital as his own within the contract period. Unless we understand this, we will find it hard to comprehend why interests and the income of the entrepreneurs are essentially the same.

The capitalist joint-stock system takes two forms. In the first case, there is no distinction between the owner and the operator. The only difference between this and loan capital is that the owner of capital has specific power to operate the means of production during the process of production. In the second case, the owner of capital basically does not take part in the operation and policy-making work of the enterprise. He entrusts the operation of the entire enterprise to the managerial staff and receives dividends and bonuses merely by reason of pure ownership. This is by no means a perfect system. Bourgeois economists have already perceived the discrepancy created by this separation between the objectives of the owner and the operator, with the former going after maximum profits and the latter working for the steady development of the enterprises while striving to preserve its privileged position.

I am questioning this system not because I am in favor of restoring the centralized decisionmaking power of the state over the production and operation of enterprises, or believe that the state should transfer ownership of the means of production to enterprises owned by the whole people. What I seek to do is to establish the theory that the state and the enterprises, at their different levels, jointly own the means of production and exercise their respective decisionmaking power, and also to seek out an organizational form upon which such a structure is to be established. Only in this way can we overcome once and for all the contradictions between control of the macroeconomy and invigoration of the microeconomy in the reform of the economic structure and truly bring about a planned commodity economy with socialist characteristics. The superiority of socialism over capitalism lies in the fact that the state has without its grasp the ultimate ownership of the means of production. This has to be ownership with the power of operation and not just ownership in a purely statutory sense. Otherwise there will be no basis on which to carry out planned guidance and make policy decisions regarding the business operations of the state-owned enterprises. However, this does not mean that the state must

take part in the day-to-day running of the enterprises. There may be formal changes in the relationship of possession, this being an important feature of the socialist system of ownership of the means of production by the whole people. Along this line of thinking, I believe that we must establish a socialist joint-stock system in order to restructure and readjust the relations between the state and the state-owned enterprises.

II. The Basic Principles to Be Observed in the Socialist Joint-Stock System

The socialist joint-stock system is essentially different from its capitalist counterpart. Their formal features are also different in many ways. Thus, when designing a model for the socialist joint-stock system, we must observe a number of basic principles and special governing rules.

1. Ensure the leading role of state funds. This basic principle is determined by the nature of socialist relations of production. In enterprises owned by the whole people in our country, the state owns the means of production on behalf of the entire working populace and regulates social production in a planned manner. Thus, the means of production owned by the whole people take the form of state funds. The prevalent material conditions upon which the joint-stock system is to be instituted is the predominance of state funds in the total fixed assets of society. If we institute a form of non-state ownership with personal shareholdings as the main body, we will change the nature of socialist economic relations and make it difficult for the state to exercise macro-control and management over economic activities. Besides, it is also quite impossible for individuals to subscribe for state-owned fixed assets worth hundreds of billions of yuan. Thus, it is impractical to advocate instituting a joint-stock system with personal shareholdings as the main body. An alternative is to turn state-owned fixed assets into shares to be subscribed for by consortiums, and step by step change the system of ownership by the whole people into ownership by consortiums. An insuperable difficulty of this alternative is how revenue from the sale of holdings in fixed assets is to be used. Some comrades advocated using the money to subsidize reform measures in relation to pricing, wages and so on. (Footnote 3) (See Cao Wenlian [2580 2429 3550]: "An Exploration on Stock Financing in Large and Medium-sized Enterprises Owned by the Whole People," JINGJI YANJIU, No 8, 1985) This in fact increases consumption expenses. It will weaken our strength in developing the national economy and have an adverse effect on long-term economic development. This is absolutely undesirable. We could continue to use such revenue to finance capital construction, but the form of investment is yet to be worked out.

In upholding the principle of ensuring the leading role of state funds, we should not follow the suggestion made by the World Bank in its investigation report on China, that we turn the fixed assets of existing state-owned enterprises into shares to be allocated to a number of competent government departments, which are to form the boards of directors of these enterprises. If we do, will only be creating more "moters-in-law" for the enterprises and hence restrict their actions all the more. This proposition only takes into account the management and control of enterprises by the state. It fails to recognize that this management and control must be preconditioned by the revitalization

of enterprises and the independence of commodity producers, and cannot, therefore, be taken as the direction for reforms. Moreover, the lack of criteria and grounds for dividing share ownership will give rise to technical difficulties. Even if we manage to divide the share ownership, this will only lead to more wrangles and frictions between different parties, lower the efficiency of management, and result in the defect of relying on power and influence to carry out management.

2. Uphold the separation of the functions of government and enterprises. The separation of the functions of government and enterprises, with the government staying away from the day-to-day operations of enterprises, is a condition and requirement for the development of the commodity economy. It is also the prerequisite and guarantee for the revitalization of enterprises. The implementation of the principles of ensuring the leading role of state funds and separating government from enterprise functions appears to be contradictory and impossible, at least in form, but it is not so. There are no insurmountable contradictions between these two principles. Generally speaking, following the development of socialized large-scale production, the state assumes the functions of managing, supervising, controlling and regulating social and economic activities. After the socialist state took possession of the means of production on behalf of the entire working populace, the functions of the government in managing society and the economy increased both in scope and in intensity. The state not only must manage, supervise, control and regulate the activities of the entire macroeconomy, but must manage enterprises under its name. The problem is that the latter function often extends to the inside workings of these enterprises, so that state power which should be a regulating force of social relations as a whole becomes the dominating factor in the micro-economic activities of the enterprises. This was the reason why government and enterprise functions were the principle of labor first must be embodied in the relations of distribution in socialist joint-stock enterprises. In line with this principle and under normal conditions of operation, the fruits of labor created by laborers of joint-stock enterprises with state funds, funds of other enterprises, and funds owned by their enterprises should, after making deductions for public spending and compensating for the value of material goods reproduced by their enterprises, be distributed among these people in accordance with the minimum average income level for laborers in society. The remainder is to be further distributed among the shareholders and laborers. In this way, if an enterprise is well managed, not only will there be handsome dividends and bonuses, but the income of the staff and workers will grow as production develops. Thus, every laborer will show concern for the performance of his or her enterprise. This constitutes a powerful motivating force for the development of the productive forces under socialist conditions. In order to ensure the implementation of this principle, laborers must have representation on the board of directors. They must share with the owners the power to make policy decisions regarding the major activities of their enterprise and have a say in the distribution of profits. Of course, the state on its part must also adopt a series of policies and measures aimed at protecting the fundamental power and rights of shareholders. Only in this way can we establish economic relations of mutual aid and cooperation that embody true equality.

4. Sharing of responsibility. The characteristics of the socialist joint-stock system say that joint-stock enterprises must be economic combinations that share not only economic benefits but also responsibilities and risks. Thus, shareholders and laborers are both directly responsible for all the assets owned by their enterprise. When an enterprise is running at a loss, its shareholders do not get any dividends. Its laborers, too, must be made to bear corresponding economic losses. If an enterprise goes bankrupt, its shareholders are also entitled to demand compensation from social insurance and social relief (enterprises must take out insurance policies) in amounts equal to the total unemployment relief receivable by the staff and workers. It is only through this kind of mutual economic concern that the shareholders and laborers can be brought closely together to work for simultaneous growth in benefits and share the losses.

III. The Basic Model for the Socialist Joint-stock System

The introduction and perfection of a joint-stock system takes time. Under existing economic conditions in China, the Joint-stock system can only be introduced in enterprises owned by the whole people.

1. As a first step, a socialist shareholding relationship is to be developed within the vertical structure of enterprises owned by the whole people so that a mixed economic form that merges state-owned funds with funds owned by consortiums of enterprises can take shape. This mixed economic form is brought about through the investment policy decisions taken by the enterprises. Following the replacement of profit delivery by tax payment, the carving up of benefits between the state and the enterprises is made stable and fixed by means of taxation, with the state acknowledging that enterprises have the right of ownership and right of disposal of their own after-tax profits. If an enterprise retains part of these after-tax profits for reinvestment, ownership created by such investment should go to this enterprise. If an enterprise does not have the right of ownership to capital invested through its own decision, there will not be any motivation for it to invest its retained funds for the purpose of developing production. This will encourage the enterprises to spend their after-tax profits on collective welfare or have them distributed among their staff and workers for personal consumption. In the end, there will be no guarantee that the enterprises will consciously safeguard the interests of the state and develop projects of long-term interest.

Following the emergence of joint-stock enterprises, the state must change its form of control of state funds by setting up state fund management companies. The main idea is to change various types of existing industrial bureaus into state fund management organs of different trades. Representing the state, they are responsible for the management of state funds in the mixed economy. The state, after checking the fixed assets of enterprises under its jurisdiction, entrusts these to the specialized hands of state fund management companies. State fund management companies are different from government administrative departments in nature, in that they do not have authority over the enterprises in other respects. The revenue of these companies mainly comes from dividends and bonuses. Their expenses go to three areas: 1) The payment of income tax, regulatory tax, and other applicable taxes to state taxation

departments; 2) the financing of mandatory plans for the reproduction of fixed assets handed down by state planning departments; and 3) day-to-day administrative expenses. Heads of state fund management companies are appointed by the state and a target-oriented system of responsibility is practiced. The staff is mainly made up of experts in the fields of finance, investment, and technology. The day-to-day function of the companies is mainly to study the economic and technical developments of their respective trades at home and abroad, conduct feasibility studies on investment with state funds, examine the long-term development programs of enterprises, guide and supervise the use and management of fixed state funds held by the enterprises in order to increase the efficiency of funds and achieve maximum income from dividends and bonuses.

Government control of state fund management companies is mainly through mandatory and guidance plans, taxation and budgets. The rate of increase of state funds is the principal index by which the performance of these companies is assessed. However, in keeping with the proportions between various economic sectors, the state has the power to transfer state funds from a certain trade and entrust their application to another trade in order to regulate the flow of funds and readjust the industrial structure. The companies also undertake state investment assignments. With increased financial appropriations, these management companies perform their investment functions by enlarging social reproduction in a planned way, developing the national economy, and increasing the proportion of state funds. They sit on the management committees of enterprises by right of their claims and, in accordance with state industrial and economic-technical policies and market changes, guide and decide on the policies and market changes, guide and decide on the policies of operation as well as the development programs and investment policies of these enterprises. They also supervise the financial accounting of these units and have a say in the distribution of profits. The management committees of enterprises are equivalent to the boards of directors. Seats are taken up by representatives of fund owners, management and labor. The proportion may be fixed in the light of specific situations in different enterprises. In large and medium-sized enterprises of significance, a system of standing committee may also be instituted.

The above is just an initial attempt to straighten out the management structures between the state and the enterprises and within the enterprises through the setting up of a joint-stock for the vertical movement of funds and through the establishment of principles and organs for the management of state funds. This kind of joint-stock system only fulfills a relatively low-level function, which is to combine the interests of the staff and workers, the enterprises and the state in order to achieve mutual benefits, mutual prosperity, and simultaneous growth, and thereby to remove the cause of short-term behaviors on the part of enterprises. However, this stage does not afford conditions for the circulation of shares. The distribution of funds to different sectors of production still depends on state plans and state investment. As a means of financing, the joint-stock system has yet to be improved in order that its function in guiding and bringing about the optimal deployment of funds can be brought into full play.

2. In developing the second phase of the joint-stock system, the objective is to gradually open the financial market, allow the circulation of shares held by state fund management companies and by the enterprises themselves on the stock market in a planned way, gradually break down the barriers between different state fund management companies, and complete the formation of the joint-stock system in horizontal relations.

After this stage, management companies of fixed state funds will be transformed into quasi financial institutions working for maximum returns on investment. In order to fulfill mandatory plans handed down by the state for the reproduction of state funds, these companies may sell on the financial market their state fund holdings in enterprises with poor investment returns and poor prospects. They are free to invest the income thus obtained in other directions and thus divert the use of funds. The state may, through taxation, credit, and economic-technical policies guide and assist these companies in revamping investment in enterprises under their jurisdiction so as to improve the qualities and development potentials of these enterprises. Through mutual financing, consortia of enterprises with state fund management companies at the core will gradually be set up to provide the state with better conditions for carrying out macro-control and guidance. With the permission of legal notary departments and financial departments and under their supervision, enterprises may in a planned way have their own shares or mutual holdings listed on the market for circulation in order to bring about the flow and merging of funds between enterprises.

A series of political and economic conditions are necessary for the establishment of the second phase of the joint-stock system. First, it is necessary to institute a whole set of sound economic laws and regulations and strengthen the building of legislative and judiciary departments for the handling of economic affairs. Second, further efforts need to be made to straighten out pricing relationships. The movement of funds between different departments and between different enterprises mainly depends on price signals. If the price structure is unreasonable, particularly if the price of the basic means of production is unreasonable, the signals they send out will lack authenticity. This will lead to the blind movement of funds, which in turn will aggravate the disproportions in the industrial structure and lower the social and economic returns on investment. Third, it is necessary to set up and improve the socialized unified market. A well-developed financial market and the exchange of shares and bonds need as their basis a well-developed commodity market and services market. In the unified market network that operates on the basis of socialist planning, funds can be transferred and circulated freely, and so can labor power. Only in this way can conditions be created for fund owners and laborers to compete fairly on the market. Fourth, it is necessary to train a large number of professionals well versed in the handling of securities and shares. All these take time and cannot be accomplished overnight.

IV. Some Questions that Require Further Clarification

No management structure is perfect, and the same is true for the joint-stock system. During their discussions, some comrades have raised doubts and expressed anxieties. These require clarification.

1. Some comrades are skeptical about whether or not a socialist joint-stock system that ensures the leading role of state funds can effectively arouse the enthusiasm of the vast number of staff and workers in showing concern for and cherishing their enterprises. They even think that there is no difference between this reform and state-owned enterprises of the past. This is mainly due to their underestimation of the potential for enterprises to invest and buy shares with funds they are entitled to retain. In fact, as estimated by departments concerned, following the extension of decisionmaking power of enterprises between 1980 and 1984, own funds obtained in various ways [words indistinct] than 180 billion yuan, amounting to nearly one-third of China's total industrial fixed assets. [Word indistinct] by enterprises owned by the whole people with funds they are entitled to retain also grew at an annual rate of between 20 and 30 billion yuan. This is an enormous financial force. It is believed that as production develops, the absolute amount of funds that enterprises are entitled to retain will increase more substantially and the relationship between the material benefits of the staff and workers and investment by the enterprises with funds they are entitled to retain in developing production will become increasingly more important. Thus, following the establishment of a joint-stock system that ensures the leading role of state funds, income derived by enterprises from fund ownership will gradually increase. This no doubt will arouse the enthusiasm of enterprises in making investment and make the staff and workers feel more concerned about the management and development of their enterprises.

2. Contrary to the above reckoning, some comrades are afraid that the steady growth of collective factors within the system of ownership by the whole people will nibble at and even supersede the strength of the system of ownership by the whole people, change the economic nature of relations between units owned by the whole people, and undermine the predominance of the system of ownership by the whole people in the national economy. These people are overemphasizing the seriousness of the problem. We think that so long as the state manages to secure, through various avenues, the bulk of all the surplus products created by society, the growth of state funds will exceed that of collective funds. This is a kind of accelerated growth. Under this ratio of distribution, the state sector will always be able to maintain its lead in the national economy in terms of strength and position. If the situation does occur where the strength of collective funds outweighs that of state funds in certain enterprises to the extent that the part played by society in regulating and controlling production is threatened, the state can prop up the system of ownership by the whole people through pumping in more state funds or redeeming shares in collective funds.

3. Some comrades note that following the engendering of share claims by enterprises, laborers will react differently to property, and internal splits will be created. (Footnote 4) (See Liu Guoguang [0491 0948 0342] and Zhao Renwei [6392 0086 0251]: "Several Problems Encountered in the Present Economic Restructuring in China," JINGJIXUE ZHOUBAO, 28 September 1985) I think this should not give us any cause for anxiety. This is an issue that concerns the distribution of income derived by an enterprise from its share ownership. We should acknowledge the fact that funds used by an enterprise for subscribing shares are jointly created by all its laborers over a given period and thus

everyone who has taken part in creating this portion of property should enjoy equal rights in relation to this. Dividends and bonuses attributable to such share ownership should, after deducting social insurance, mainly be distributed to the laborers who made this possible. The enterprise may distribute these dividends and bonuses in the form of floating annual increments to each staff and worker in its employ during that period. Those with longer years of service and more contributions to their credit should be given bigger increments. Of course, if the rate of profit drops due to mismanagement and revenue from dividends and bonuses is reduced as a result, the staff and workers must also shoulder the responsibility. To begin with, their floating annual increment will have to be reduced. As far as the staff and workers are concerned, this is both fair and reasonable and will not create internal splits.

4. There is yet another view which maintains that the emergence of the factor of ownership by enterprises will obstruct the flow of labor power. This anxiety is also uncalled for. We advocate the free flow of labor because we want to enable the staff and workers to freely choose work posts where they think they can bring their strong points into full play, to rationally distribute labor to different sectors of production, and to increase labor productivity. Thus, flow is just a means, and developing production is the end to this means. If enterprises are well run and income from labor and from dividends surpasses the average level in society, the solidifying power of the enterprises will increase, thus enabling the staff and workers to cherish their unit all the more and look upon their unit as their home. If we can cultivate this kind of enterprising spirit in China, what is wrong with it? The relative stability of labor power under such circumstances is by means a bad thing. This has been proven by the experience of numerous enterprises at home and abroad. If enterprises stay in the red for prolonged periods, so much so that the vital interests of the staff and workers are affected, share ownership by enterprises will not in any way stop the flow of labor elsewhere. Staff and workers may, in the event of injuries, sickness, or death sustained at post or upon retirement, be compensated for the benefits they were previously entitled to by reason of share ownership with a lump sum payment out of social insurance in accordance with their length of service and contributions. However, it must be made clear that with collectively owned shareholdings, it does not mean that each staff member and worker is entitled to an equal share. Neither does it mean that a member of the staff or worker can receive the income derived from the sale of his share of ownership when he or she leaves the enterprise, or can transfer or inherit such shares. If these can be done, share ownership collectively held by enterprises will lose its meaning and will not be any different from personal share ownership.

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CSO: 4006/849

PROVINCIAL AFFAIRS

JILIN GOVERNOR REVIEWS 1985 GOVERNMENT WORK

SK240826 Changchun JILIN RIBAO in Chinese 10 Mar 86 pp 1, 4

[Report on the first part of the government work report delivered by Gao Dezhan, governor of the Jilin Provincial People's Government, at the fourth session of the sixth provincial People's Congress on 9 March]

[Text] In his "government work report" at the fourth session of the sixth provincial People's Congress, Gao Dezhan, governor of the provincial People's Government, summed up the work done in 1985, and affirmed our province's good political and economic situation and new achievements in economic construction and social undertakings.

He said: In 1985, under the leadership of the provincial CPC Committee and CPC Committees at all levels, the People's Governments at all levels throughout the province conscientiously implemented the principles and policies of the CPC Central Committee and the State Council, deeply conducted the reform of the economic structure with a focus on the cities, and persistently attended to both socialist spiritual and material civilizations. Through the concerted efforts of the people of all nationalities across the province and on the basis of the past achievements, we made new progress in the economic construction and social undertakings. The total social product in 1985 was 42.01 billion yuan, an increase of 11.1 percent over 1984. Of this, the total industrial and agricultural output value was 30.2 billion yuan, an increase of 9 percent over 1984. National income was 16.97 billion yuan, an increase of 8.8 percent. On the basis of a steady development of production, markets were brisk, revenue and expenditure were balanced, and improvement was made in the people's livelihood. The province's political and economic situation was very good in 1985. The past 1 year was a year of arduous struggle as well as a year of successful progress because we experienced serious natural disasters and all fronts also made new achievements through smoothly carrying out reform.

Fairly Good Agricultural Harvests Were Reaped Through the Struggle Against Serious Floods and Waterlogging

Last year, our province suffered the most serious floods and waterlogging since 1909, the year we began keeping weather-related records. This had brought about extremely great damage to production and the people's livelihood. Confronted with the serious floods and waterlogging, the provincial CPC Committee and Government put the stress on flood combating and rescue work, while

the leading cadres at all levels went deep into disaster-stricken areas to enthusiastically organize the people of the whole province to combat the floods and waterlogging. In this way, the people in the disaster-stricken areas were ensured of sufficient food, clothes, and places to live in; the disaster-stricken people suffering from illness were given treatment in a timely manner; and such serious problems as the disaster-stricken people having no grain to cook, fleeing to other places, and suffering from diseases did not take place. The disaster-stricken people were ensured of passing through the winter safely. While arranging the livelihood of the disaster-stricken people, the province vigorously carried out the self-salvation work by engaging in production, widely opened avenues for production, and developed a diversified economy in an effort to increase income. Last year, through conscientiously implementing Document No 1 of the central authorities and in line with the actual conditions, the province readjusted the rural production structure and firmly grasped the development of animal husbandry, town- and township-run enterprises, and a diversified economy. With the arduous efforts of the vast number of cadres and people and under the circumstances of better weather in the latter period of last year, the province still reaped a fairly good agricultural harvest. The total agricultural output value reached 8.68 billion yuan, (including the output value realized by the industry at or below the village level.) The total grain output reached 12.253 million tons, making the 1985 harvest the province's third largest since the founding of the PRC. The province sold more than 4.5 million tons of commodity grain to the state, overfulfilling the state-assigned grain purchasing task. Fairly great increases were made in the output of such cash crops as beets, flax, and cultivated ginseng. Development was made in the diversified economy, such as forestry, animal husbandry, fisheries, processing industry, and service trade. A new situation in animal husbandry emerged with an overall increase in the number of animals and poultry. The per capita income of the rural people was 413.7 yuan. Along with the further implementation of the party's policies on the rural economy, the channels for commodity circulation increased, a diversified economy developed, and the rural economy was enlivened. The rural economy is deeply changing and developing toward the orientation of commercialization, specialization, and modernization.

Industrial Production Grew in a Sustained, Stable, and Coordinated Manner, and the Output Value, Profits and Taxes, and Revenue Continued To Increase at the Same Rate

Last year we persistently placed the improvement of economic results in the first place, and corrected the ideology guiding industrial development. Proceeding from reality, we used our limited funds and energy and raw material resources to support the enterprises that produced the goods in great demand in markets and could yield high foreign exchange earnings through exports, and helped enterprises enhance their ability for assimilation. We carried out coordinated reforms within enterprises, and enabled them to further exercise the decision-making powers extended by the state, thus boosting the enthusiasm of distributors and producers. The industrial output value reached 21.52 billion yuan, registering a 14.8-percent increase over the previous year. If the output value created by the enterprises run by the units at the village level or below is included, it reached 22.82 billion yuan, showing a 16-percent

increase. Taxes and profits turned over to the state by industrial enterprises totaled 1.978 billion yuan, up 17.5 percent from the previous year. Remarkable results were achieved in lateral economic cooperation and technological exchanges. More than 100 economic associations of various forms joined in by more than 800 enterprises were established throughout the province. Our province also established economic ties with 20 provinces, municipalities, and autonomous regions and 70 prefectural-level cities, thus laying an initial foundation for developing and utilizing our resources, which constitute our advantage, and for establishing an open, interconnected economic structure. Last year we combined and worked out overall plans for carrying out technological development, imports, and renovation in a planned manner, and technically transformed, on a priority basis, 15 large and medium-sized enterprises, and 45 key enterprises which had an influence on the economic situation of the province. Marked progress was made in the development of new products and the popularization of new technologies, thus continuously improving product quality. We developed 1,450 kinds of new products, of which 231 were the first of their kind in the country, or reached advanced national levels. Twenty products won state gold and silver medals, making last year a year with the greatest number of medals. Stable quality improvement rate of major products reached 93 percent.

The Capital Construction Plan Was Fulfilled Fairly Successfully with the Guidance of the State Macroeconomic Control

In line with the state requirement for bringing fixed assets investment under strict control, we sorted out the projects under construction in an all-round manner, and gave priority to key construction projects, thus accelerating construction progress, shortening the construction period, and enabling investment to yield better results. Annual plans for local key construction projects were also fulfilled fairly successfully. New progress was also achieved in urban planning; in the construction of towns, townships, and villages; and in urban management. In this way, we initiated the work of planned urban construction. Governments at all levels did a great amount of practical work to protect the environment. Among the 60 environmental protection projects that the province had decided to carry out since 1983, 51 were completed.

More Importance Was Attached to Education, and Various Social Undertakings Continued to Develop in the Course of Reform

Last year our province conscientiously implemented the CPC Central Committee's decision on educational structure reform, and further defined the orientation, goals, and tasks of educational reform. Elementary education was made universal in 54 counties (cities, districts) throughout the province, amounting to 87 percent of the total number of counties (cities, districts). Forty-five ordinary higher educational institutions throughout the province had 59,500 students, 8,400 more than in the previous year, and they enrolled 1,861 post-graduates, 996 more than in the previous year. Our province won the anti-illiteracy "Nuoma [6179 3854] honorary award" issued by UNESCO for its elementary education programs for adults. A staff and worker education system, from primary to higher education, of various levels, categories, and measures

is taking shape. Education drew concern and attention from various quarters of society, and the practice of respecting teachers and stressing education was initially established.

New achievements were scored in the fields of culture, arts, radio and television broadcasting, film-making, press, publication, sports, health, and family planning. In health work, we adhered to the principle of "putting prevention first, giving consideration to both urban and rural areas, and combining traditional Chinese medicine with Western medicine"; made improvement in technical level and service; and gradually upgraded the medical conditions. In family planning, we further perfected policies, and achieved a 98-percent planned birth rate, thus fairly successfully controlling the blind growth of population. Shuangyang County of our province ranked among the 10 family planning red-banner counties of the country.

A New Step for Scientific and Technological Reform Was Taken and Good Results in Serving Economic Construction Were Scored

In accordance with the guidelines of the reform of the scientific and technological system made by the central authorities, our province carried out, on a trial basis, an open bidding system of key scientific research items and a system of appointing scientific and technological personnel, conducted a patent system, and issued awards to those that scored scientific and technological achievements.

The development of scientific research work was promoted with the initial achievements in carrying out the technological contract system on a trial basis. Last year, a total of 374 scientific research results were appraised. Of this, 6 reached major technological targets of the international level, 170 attained the national advanced level, and 4 won state invention prizes. Among the 96 scientific research results awarded by the provincial government in 1984, 90 were applied to production last year.

The Financial Situation Further Improved, and Credit Funds Were Brought Under Control

Last year the province promoted the expansion of financial resources by enthusiastically carrying out the reform of the financial and tax system, trying every means to raise funds, vigorously organizing forces to increase revenue, readjusting the structure of distribution of financial resources, and rationally arranging expenditure. The distribution, regulation and circulation of funds were strengthened. Credit funds were granted to support the development of industrial and agricultural production and the disaster combating rescue work. The enterprises were supported to increase the economic results. The economically backward areas were supported to change their appearance as soon as possible. Thus, a smooth progress of the wages and pricing reform was ensured.

Greater Development in Internal and External Trade Was Made and Urban and Rural Markets Were Brisk

Along with the ceaseless development of the reform of the commercial system and the further establishment and development of the open-type commodity circulation system with multiple channels and fewer links, both purchasing and marketing were brisk. The reform of the pricing system made fairly smooth progress. The policy on purchasing and marketing hogs and the policy on prices were readjusted. Flexibility in the prices of such fresh and live foodstuffs as vegetables was allowed. This played a positive role in promoting production, enlivening circulation, and stimulating markets. Great development was made in external trade. The province's export products were sold to more than 100 countries and regions of 5 continents in the world. The total export volume last year reached 426 million yuan, an increase of 71 percent over the previous year. Prominent development was made in the export of corn, and this made the province occupy the first place in the country. Better results were made in conducting economic and technological cooperation with foreign countries. The number of imported technological items and equipment and the amount of imported funds doubled or quadrupled.

On the Basis of Development of Production, People's Livelihood Further Improved

Regarding the people's living problems as a matter of great importance, the governments at all levels enthusiastically took effective measures for basically eliminating the tendency of arbitrary price hikes. Last year, the province used a total of 753 million yuan of funds for people's living allowances. The province also decided that from this year another 10 million yuan of subsidies will be granted every year to ensure that each urban resident will have another 2 jin of rice. Some problems concerning the livelihood of college students were solved so that their livelihood improved. The pricing system reform was carried out in a planned manner. Conditions for water utilization and roads and transport in the urban areas improved to a certain extent. Last year, houses covering an area of 2.92 million square meters of floor space were built by the state-owned units and the urban collectively-owned units. The per capita wages of the staff members and workers of the province increased by 16.7 percent over the previous year. Adjusted for inflation, their wages increased by 5.8 percent, 1.1 percent higher than the national average growth rate.

Political and Legal Work Was Strengthened, and Public Security Showed Further Improvement

We carried out in-depth struggles against serious crimes and serious economic offenses, punished according to law a group of criminals guilty of serious economic and other crimes, and investigated and handled a number of major and appalling cases emphatically. We launched provincewide propaganda and education on legal knowledge to enhance the initiative of cadres and the people in studying, abiding by, and using laws.

We Intensified the Building of Spiritual Civilization While Paying Attention to the Building of Material Civilization

Governments at all levels paid attention to and strengthened ideological and political work; conducted education on the current situation and on the "four have's" among cadres and the masses; learned from and gave publicity to PLA model heroes and the advanced persons emerging in the antiflood and rescue work; and launched "five-stress, four-beauty, and three-love" activities and activities to "learn from heroes, stress ideals, and show deeds," thus gradually deepening the education on ideals and discipline. We strengthened leadership over culture, broadcast, film-making, television, publication, and other undertakings, attached importance to social benefit, and provided better sources of intellectual nourishment to the masses. The PLA played a positive role in the building of the "two civilizations" in our province, cooperated with 2,994 units in building spiritual civilization, and turned most of them into civilized units. We strengthened the styles of thinking of government organs, and launched extensive study and inspection activities focusing on the theme that "leadership means service," thus improving the work styles of provincial organs, and raising their work quality and efficiency.

While affirming the great achievements our province scored in various fields, Comrade Gao Dezhan pointed out: There are still many difficulties before us, and some problems that cannot be neglected still exist in our work. The resources of our province have yet to be fully developed. The capacity of agriculture to resist natural disasters was rather poor, and floods and water-logging caused difficulties last year, such as a serious shortage of funds and materials. Our province's industrial foundation was poor, management of various trades and professions was rather backward, and loss and waste were serious. In the government work, the building of the spiritual civilization remained a weak link, and the phenomenon of neglecting ideological and political work was not uncommon. Government organs' styles of thinking fail to meet the needs of the development of the situation. Although these difficulties and problems are detrimental to our progress, under the party leadership, as long as we enhance confidence, make progress vigorously, exert ourselves to work in a conscientious and down-to-earth manner, and overcome difficulties and solve problems, we will be able to score new achievements and open up a new situation.

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CSO: 4006/856

PROVINCIAL AFFAIRS

SHAANXI'S LI QINGWEI DELIVERS WORK REPORT

HK200423 Xian Shaanxi Provincial Service in Mandarin 0200 GMT 19 Mar 86

[Excerpts from Shaanxi Governor Li Qingwei's Report at Fourth Session of Sixth Provincial People's Congress on 7 March: "Persevere in Reform, Advance from Victory to Victory, and Strive to Accomplish the Province's Seventh 5-Year Plan"]

[Excerpts] I. The Sixth 5-Year Plan Has Been Victoriously Accomplished

The development of Shaanxi's national economy during the Sixth 5-Year Plan was marked by the following main characteristics:

1. The growth rate was relatively fast. Total industrial and agricultural output value in the first year of the plan rose by only 30 million yuan compared with the previous year, but growth in the last 4 years of the plan was rapid. The figure for 1982 topped that for 1981 by 2 billion yuan; the increase in 1983 was 1.6 billion yuan; the rise in 1984 was 2.8 billion yuan; and the rise in 1985 was 3.5 billion yuan, when the total reached 25.5 billion yuan. Such large continuous growth was unprecedented for Shaanxi.
2. Economic work started to shift onto the track of focusing on improving economic results. Since 1983, the province's enterprises covered by local budgets have achieved 3 successive years of synchronous growth in industrial output value, sales income, and tax and profit delivery to the state. All-over labor productivity in independent-accounting industrial enterprises owned by the whole people in 1985 was 11,592 yuan, an increase of 34.3 percent over 1980. The average rise during the 5 years was 6.1 percent, exceeding the state demand for an annual increase of 2 percent.

Marked achievements were scored in reducing deficits and increasing surpluses in enterprises. The number of industrial enterprises covered by local budgets running at a loss in 1985 was 72 percent less than in 1980. Only 7.8 percent of enterprises were running at a loss, compared with 25 percent in 1980, while the losses dropped from 79 million yuan to 16 million yuan.

There has been continual improvement in product quality, and more and more fine-quality and brand products have been turned out.

There has been a marked improvement in the financial situation. Revenue in 1985 was 2.03 billion yuan, a record. The budget was in balance that year.

3. The major proportional relationships in the national economy have tended to become more coordinated. As a result of readjustment, the proportional relationships between agriculture, light industry, and heavy industry were further improved during the Sixth 5-Year Plan. The proportion of agriculture in total industrial and agriculture output value rose from 31.7 percent in 1980 to 33.7 percent in 1985. Within industry, stress was placed on priority development of light industry, and production of consumer goods was assigned an important position. Heavy industry has readjusted its production orientation and made efforts to expand its scope of service. Light and heavy industry have developed in a more coordinated way.

4. A variety of economic forms, operational methods, and circulation channels has developed, with state-owned economy as the dominant factor, and urban and rural economy has been livened up. Collective commerce accounted for 21 percent of total retail commodity sales in 1985, compared with 7 percent in 1980, and individual commerce accounted for 10 percent, compared with 0.8 percent in 1980.

5. The province initially launched moves to open up to the world. The province has imported 470 items of technology and equipment from abroad, with a total value of \$260 million. Through Sino-foreign joint ventures, cooperative ventures, and so on, the province has signed contracts totalling \$400 million for using foreign investment. There have also been new developments in foreign trade. Total export value in 1985 exceeded \$100 million, showing an increase of 840 percent over 1980.

Interprovincial lateral economic ties have developed rapidly. Foreign affairs work has been strengthened. Tourism has developed vigorously.

6. The province has scored very great achievements in capital construction and technological transformation, which have strengthened its reserve forces for economic development. During the Sixth 5-Year Plan, units owned by the whole people completed a total of 13.2 billion yuan in investment in fixed assets, including 9 billion yuan in capital construction and 4.4 billion yuan in modifications and transformation. During the 5 years, the province built a number of large and medium construction projects and completed 2,700 technological transformation projects.

7. Education and culture have developed vigorously, and notable achievements have been scored in science and technology. During the Sixth 5-Year Plan, the number of institutes of tertiary education rose to 45, while the number of secondary technical schools and colleges reached 209. The province has set up 173 secondary vocational schools. Universal primary education has been introduced in 72 counties and districts.

During the period of the plan, the number of science and technology personnel in the province rose to 342,000. The number of scientific organs subordinate to the province and to prefectures and cities rose to 214.

8. The markets are prosperous, business is brisk, and there has been a marked improvement in urban and rural living standards. New achievements have been scored in communications, posts and telecommunications, geology, finance, civil affairs, public security and judicial work, nationality work, religious work, and overseas Chinese affairs. The PLA units stationed in the province have made outstanding contributions in fighting floods, carrying out rescue work, supporting local construction, and in joint army-civilian building of spiritual civilization.

While viewing our excellent economic situation, we must also clearly perceive the difficulties and problems facing us in economic development, and also the weak links. Compared with advanced provinces and regions, the pace of economic development in Shaanxi is not fast enough and the development is uneven. The Guanzhong area accounts for a large proportion, while northern and southern Shaanxi have hardly been developed at all. The agricultural foundation remains rather brittle. The peasants are living in poverty in some rural areas, especially in remote mountain areas.

The past 5 years have been 5 years of great emancipation of the mind, great economic development, major progress in reforms, and of unity for combat on the part of the cadres and masses.

II. The Strategic Goals of the Seventh 5-Year Plan and the Guiding Ideas for It

The strategic goal for the province's national economic and social development in the Seventh 5-Year Plans: Total industrial and agricultural output value should reach 37.5 billion yuan by 1990, more than double the 1980 figure; we should strive to achieve doubling by 1988, 2 years ahead of schedule; and we must work for further development in all undertakings and for continued improvement in people's living standards. By achieving these goals, we will be able to gain the initiative in economic invigoration in the 1990's and achieving quadrupling by the year 2000, and lay an excellent material foundation for shifting people's living standards to a comfortably well-off level.

The guiding idea for the province's economic work during the Seventh 5-Year Plan is: Guided by the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee, and in accordance with the general demand to build socialism with Chinese characteristics, persistently put reform in the first place, readjust the pattern of the productive forces, vigorously improve work in the Guanzhong area and actively support economic development in northern and southern Shaanxi; further readjust the economic structure, and speed up the development of agriculture, light industry, and tertiary industry; under the premise of improving economic results, strive for a faster growth rate; bring into full play and tap the capacity of existing enterprises and speed up the pace of modification and expansion; persistently open up to the world, further expand external economic and technological cooperation and exchange, and vigorously develop tourism; attach importance to exploiting brain-power and work hard to develop science and education; while promoting the building of material civilization, vigorously step up the building of socialist spiritual civilization.

The people's government at all levels must arrange their work to be closely centered on these goals and guiding ideas.

1. Persevere in putting reform in the first place. The Seventh 5-Year Plan is a key period in all-round reform of the economic structure. The goal of the reforms is to basically lay the foundation for a new socialist economic setup in the next 5 years, or slightly longer. The main task of reform is to further invigorate the enterprises, strive to develop the socialist commodity market, continually perfect the market setup, gradually reduce direct state control of the enterprises, and establish and put on a sound basis a system of indirect control. Through all-round reform of the economic structure, we should further harmonize the economic relationships and ensure that reform and economic construction match and promote each other.

The general guiding idea for reform of the economic structure this year is to consolidate, digest, supplement, and improve the reform measures and achievements already gained. We should solve the outstanding problems and prepare for more important reform steps next year. We should concentrate on grasping the following measures: 1) We must further invigorate the enterprises, especially the large and medium enterprises and those enterprises that make foreign exchange through exports. 2) Consolidate the fruits of the reforms of prices and wages. 3) Promote joint operations and stimulate reforms by breaking down boundaries between trades, departments, areas, and ownership systems, and thus boost lateral ties between enterprises and stimulate the rationalization of the organizational structure and product mix of the enterprises. We should promote reforms in depth. 4) Bring into full play the role of key cities. 5) Improve macroeconomic controls.

2. We must persistently regard as our regional development strategic principle the vigorous improvement of the Guanzhong area and active support for the development of northern and southern Shaanxi. We must focus on exploiting the black treasure underground and on building up the green treasure on the surface. We must turn the natural resource strong points of coal and oil into economic strong points as soon as possible. At the same time, we must plant grass and trees on a large scale, and develop animal husbandry and the forestry and animal processing industry.

In developing the economy of southern Shaanxi, we must focus on exploitation and construction in the non-ferrous metal treasures and the indigenous mountain products. We must take advantage of the strong points of ample non-ferrous metal and building material resources and abundant electric power, and arrange in a planned way a number of metallurgical, building materials, and high energy-consuming industries in the area.

We should take full advantage of the biological resources to develop the foodstuff, medicinal herbs, and forest indigenous products processing industries.

During the Seventh 5-Year Plan, we should build the Guanzhong area into a relatively developed agricultural comprehensive commodity production base with a focus on grain, cotton, and oil. We must also establish it as a major industrial base with relatively high management and technology standards, product quality, and economic results.

3. Under the premise of striving to improve economic results, we must strive for a still better growth rate. Shaanxi's economy is marked by poor foundation and backward technology. Unless we have a certain growth rate, we can hardly extricate ourselves from the bottom half of the national table, and economic invigoration can only be empty talk. We must attain whatever growth rate can be attained with hard work. In particular, certain economically backward areas must pay all the more attention to taking advantage of their strong points and avoiding the weak ones, and speed up their development as much as possible. Otherwise they can hardly change their poverty and backwardness.

4. Under the premise of promoting steady growth in grain production, we must go further in readjusting the rural production structure in light of local conditions. Agriculture is the foundation of the national economy, and grain is the foundation of the foundation. We must fully understand this. We must not slacken grain production because the grain situation has improved, nor should we neglect to invest in agriculture just because the agricultural foundation requires a long construction cycle and yields results slowly.

We must further implement the rural economic policies, carry out reforms in depth, and improve the production conditions. We must organize pre- and post-production services and promote sustained, steady, and coordinated development of the rural economy. We must uphold the principle of actively developing diversification without any slackening of grain production. We should speed up the development of forestry and animal husbandry.

In developing township enterprises, the focus should be on agricultural and sideline product processing and on pre- and post-production services such as storage, packaging, transport, and sales of these products. Places where the conditions are right should give free rein to developing mining, the building materials industry, construction work, and undertakings that dovetail with large-scale industry and promote exports.

We must develop new strains, technologies, machines, and implements, and new materials for agriculture, implement the spark plan approved by the state, actively train technicians for the rural areas, and provide complete sets of technology and equipment suitable for the township enterprises.

5. Apply advanced technology to speed up the technological progress of the existing enterprises. Shaanxi has over 10,000 industrial enterprises. The original value of investment in fixed assets in independent-accounting industrial enterprises owned by the whole people is almost 20 billion yuan. This represents the foundation and the base for advance in achieving doubling of the economy.

In transforming the existing enterprises, we should focus on trades with great potentials, such as textiles, light industry, foodstuffs, machinery, and electronics, and get a good grasp of large and medium enterprises with a bearing on the overall situation in the national economy. We must also get a good grasp of backbone enterprises that play a demonstration and leading role in technological transformation in their particular sector, and also enterprises that make foreign exchange through exporting.

During the Seventh 5-Year Plan, we must focus on doing a good job in technological transformation in 140 large and medium enterprises subordinate to the province and 1,000 enterprises subordinate to prefectures and cities. We must also speed up the work of switching the defense industry to producing civilian goods. We should strive for a breakthrough-style development in production of civilian goods during the Seventh 5-Year Plan.

6. Do a good job in capital construction by concentrating forces to ensure the key projects. The province has 77 large and medium capital construction projects listed in the state plan during the Seventh 5-Year Plan. They include the Ankang hydroelectric station, with installed capacity of 800,000 kilowatts; the (Pucheng) thermal power plant, with installed capacity of 660,000 kilowatts; the Shaanxi aluminum plant producing 100,000 tons of electrolyzed aluminum a year; the Shaanxi museum, with advanced installations; and the Shaanxi radio and television center.

During the Seventh 5-Year Plan, in railroad construction we must focus on completing the Shenmu-Baotou line, open the (Podi-Qinjiachuan) section of the Xian-Yanan line, and continue to build the (Podi)-Yanan section of this line. We must also complete the electrification and improvement of the Baoji-Mengyuan section of the Longhai line.

In road construction, we must focus on completing construction of the grade-1 highway from Xian to Sanyuan and the motorway from Xian to Lintong, and improve the road from Yulin to Fugu.

We must ensure the completion of the grade-1 airport at Xianyang by 1988. We must dredge and tidy up the Huang He and the Han Jiang waterways, and develop waterway traffic on the Huang He from Fugu to Yumenkou.

We should speed up the construction of digital telephone systems in Xian and Baoji cities and construct the Xian international telecommunications service center. We must transform the backward state of Shaanxi's posts and telecommunications as soon as possible.

7. Persistently open up to the world and actively promote external economic and technological cooperation and exchange. In order to speed the province's economic development, we must further emancipate our minds and break down boundaries during the Seventh 5-Year Plan, so as to take still greater strides in opening up to the world, make greater use of foreign investment, and import more advanced technology and equipment.

8. Vigorously develop tourism and build Shaanxi into an international tourist center characterized by cultural and historical relics.

9. Pay attention to exploiting brain-power and vigorously develop education and science and technology. During the Seventh 5-Year Plan, the province must complete the task of introducing universal primary education. On the basis of consolidating and improving primary education, counties and districts containing about 20 percent of the province's population should introduce 9-year compulsory education.

We must vigorously develop secondary vocational and technical education so as to turn out large numbers of talented people with primary and secondary technical standards and laborers with a certain grasp of technology. We must focus on consolidating and improving the existing institutes of tertiary education, tap their potentials, and readjust their internal setup. We should speed up the development of disciplines in which we are short or weak, so as to train still more talented people for the province. We should actively do well in running broadcast, correspondence, and night universities.

10. Continually improve the material and living standards of the masses. Industrial enterprises should vigorously increase output of high-quality and brand products and best-selling goods that are in short supply in the markets. Agriculture too must provide more products for the markets.

Industrial and commercial administrative departments, pricing, and food hygiene departments must strengthen market controls and crack down hard on illegal activities such as market strikes, random price hikes, and violations of the food hygiene laws.

We must grasp planned parenthood work as a strategic task, and control the natural population growth rate at about 11 per 1,000.

Beginning this year, the province will allocate 14 million yuan each year for reducing or waiving agricultural tax for poor households. This will be kept unchanged for 3 years. The province will also allocate 4.5 million yuan to old revolutionary bases in southern Shaanxi for developing production. We must strive to basically solve the food and clothing problem of the masses in poor areas within 3 years.

III. While Doing a Good Job in Building Socialist Material Civilization, Vigorously Strengthen the Building of Socialist Spiritual Civilization

In order to achieve the vast goals of the Seventh 5-Year Plan, the government at all levels must vigorously step up the building of spiritual civilization.

The government and the departments at all levels must step up education in the situation, the tasks, and the policies, in the four basic principles, in patriotism and communist ideals, and in socialist morality and discipline. The cultural and publishing departments must integrate social benefit with economic results, putting the former in first place, and resolutely correct unhealthy trends.

In the first half of this year, we must first curb six unhealthy trends: indiscriminately sending people on foreign trips; spending public funds on travel; the running of businesses and enterprises by party and government organ cadres; indulgence in extravagance and waste; giving banquets and presenting gifts; and engaging in bribery and corruption. Anyone breaking law and discipline must be strictly investigated and dealt with.

The government at all levels and the public security and judicial departments must be bold in tackling tough problems and in breaking up networks of

relationships. No matter who is involved, investigations must be carried out in a thoroughgoing way, and the culprits must be punished severely according to law. We must resolutely ban all ugly phenomena and strive for a further turn for the better in social mood.

Through carrying out education in common knowledge of the law, we should gradually enable young people and all the masses to actively learn and enforce the law and also to spontaneously abide by and apply the law and wage resolute struggle against all illegal activities.

The work personnel of the local governments at all levels must persevere in the program of serving the people wholeheartedly and sincerely provide good service for the grassroots, the masses, and production.

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RUI XINGWEN REPORT TO SHANGHAI CPC CONGRESS

OW220000 Shanghai JIEFANG RIBAO in Chinese 10 Mar 86 p 1

/Report delivered at the Fifth Shanghai Municipal CPC Congress on 3 March 1986 by Rui Xingwen: "Unite and Work Hard to Build Shanghai into an Open, Multi-functional, and Highly Civilized Modern Socialist City"/

/Text/ Comrades:

The Fifth Shanghai Municipal CPC Congress has opened. According to the instructions of the party Central Committee, the main items on the agenda of this congress are: To thoroughly implement the guidelines set at the National Conference of Party Delegates; to further carry out the requirements contained in the "Outline of Report on the Strategy for Economic Development in Shanghai" approved by the State Council; to discuss and decide on the major tasks, objectives, and policy measures for economic and social development in Shanghai during the Seventh 5-Year Plan; to elect the Fifth Shanghai Municipal CPC Committee, the Shanghai Municipal Advisory Commission, and the Shanghai Municipal Discipline Inspection Commission; to strengthen and improve party leadership; and to mobilize Communist Party members and other people in the municipality to unite and act with one mind, uphold the policy of reform and opening to the outside world, accelerate the pace of reforming and rejuvenating Shanghai, and make new contributions to our nation's socialist modernization.

On behalf of the Shanghai Municipal CPC Committee, I shall now deliver a report to the congress for examination and approval.

Shanghai Has Entered a New Phase of Reform and Rejuvenation

The current congress is convened in the excellent situation of the nation's Sixth 5-Year Plan having been overfulfilled, the national economy developing in a sustained, steady, and harmonious way, the reform of the entire economic structure with emphasis on the urban economy already commencing, and the political situation of stability and unity becoming increasingly consolidated.

Under the correct leadership of the party Central Committee, party organizations at all levels and the broad masses of party members, cadres, and masses in Shanghai have resolutely implemented the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee. They

have eradicated the long-existing influence caused by "left" mistakes, won significant victories in eliminating chaos and setting things straight with regard to guiding ideology and practical work, and shifted the focus of the party's work to economic construction. This municipality has fulfilled its Sixth 5-Year Plan ahead of schedule. In particular, with the smooth start in the effort to implement its economic development strategy approved by the State Council, Shanghai has begun to enter a new phase of reform and rejuvenation with gratifying achievements being scored on all fronts, thus laying a fairly sound foundation for its socialist modernization. This is manifested mainly by the following:

1. Formulation of a comprehensive economic development strategy has set the objectives in joint efforts to reform and rejuvenate Shanghai.

Since the 12th CPC National Congress put forward the demand for creating a new situation in all fields of socialist modernization, what kind of city Shanghai should be turned into and how to make it play a still better role in the nation's four-modernizations program have become questions of common concern for the whole party and all people in Shanghai. The party Central Committee and the State Council have earnest expectations of Shanghai's economic rejuvenation. On his inspection tour of Shanghai, Comrade Hu Yaobang pointed out in an emphatic tone that Shanghai should become a pioneer in the four-modernizations program. On hearing a report on preliminary ideas regarding Shanghai's economic development strategy, Comrade Zhao Ziyang pointed out that it is imperative to reform and rejuvenate Shanghai and to revive its vigor, and that Shanghai should play its multifunctional role to the full as a central city. During the past few years, many leading cadres, the broad masses of people engaged in theoretical as well as practical work, and patriotic personages of all circles in Shanghai have lengthily studied and examined Shanghai's long-term development plan. Noted experts and scholars in other parts of the country have also offered many valuable suggestions. In September 1984 the "Outline of Report on the Strategy for Economic Development in Shanghai" was drawn up jointly by the Municipal CPC Committee, the Municipal Government, and the State Council's investigation and study group for reforming and rejuvenating Shanghai. This document sets forth the orientation of Shanghai's development, the strategic objectives to be achieved by the end of this century, the principles and tasks, the key construction work, the methods for implementation of the plan, and some major policy measures. In February 1985 the State Council officially approved and distributed this "Outline of Report." In order to implement this "Outline of Report," the municipal CPC Committee organized an investigation and study group composed of more than 260 people to conduct investigations and study in an overall manner and put forward specific proposals on how to implement this outline. It subsequently organized a 100-member group to extensively explain and publicize the basic guidelines laid down by the "Outline of Report." The "Outline of Report" reflected the demands placed by the central authorities on Shanghai and the aspirations of the people in the city. With this kind of common goal for struggle, there is great hope to rejuvenate Shanghai's economy if we are able to mobilize and organize all the party members, cadres, and people in the whole city to work hard to achieve such a goal.

2. Efforts must be made to overfulfill the "Sixth 5-Year Plan" and lay a fairly good material foundation for the smooth implementation of the "Seventh 5-Year Plan."

During the "Sixth 5-Year Plan," a fine situation characterized by sustained, stable, and coordinated developments in making readjustments and reforms in the development of Shanghai's economy prevailed. The total output value in Shanghai rose by an average of 8.8 percent each year. The city's total output value of industry and agriculture increased by an average of 7.4 percent each year. Industrial production steadily rose, while light and heavy industries developed in a coordinated manner. In developing its rural economy, the city followed the path of diversified management and comprehensive developments with overall increases in agricultural, sideline, and industrial production. Supplies to the market became gradually more abundant instead of being constantly in great demand. The city's retail sales rose by an average of 14.5 percent every year. Trade volumes with foreign countries and other localities in the country continued to expand. Shanghai had already established direct trade ties with more than 160 nations and regions throughout the world. During the past 5 years, contracts of various types for the use of foreign investments worth \$1.27 billion were signed and over 800 advanced technologies were imported. At the same time, Shanghai set up over 2,000 integrated economic establishments of all types, signed over 4,000 agreements for technical cooperation, and provided consultations on more than 15,000 occasions to 28 fraternal provinces, municipalities, and autonomous regions. The production setup in the entire city is being readjusted step by step. With the simultaneous development of the primary and secondary industries, tertiary industry in such fields as commerce, communications, transportation, and public utilities are also rapidly developing. Active efforts have been made to readjust the ratio of investments in fixed assets. The investment structure became gradually more rational, and the municipal construction work has gradually accelerated. Efforts were made to consolidate all enterprises and help them improve. In doing economic work, the city attached great importance to raising economic efficiency. The city's revenue rose by an average of 5.8 percent each year, contributing a great deal to bringing about a fundamental turn for the better in the nation's financial and economic situation.

Definite progress was made in science and technology, education, culture, and other fields. During the "Sixth 5-Year Plan," the city scored more than 5,400 important achievements in science and technology, some of which approached or reached the level of the advanced nations of the world. The city witnessed rapid developments in its higher education and strengthened its basic education. Secondary education was improved and adult education further expanded. New progress was scored in the fields of journalism, press, radio and television, literature and art, medicine and public health, and sports.

The people's living standards were markedly improved. During the "Sixth 5-Year Plan," per-capita consumer spending rose by an average of 7.1 percent every year when the cost of living increase was factored in. As of the end of 1985, urban and rural saving deposits increased by 130 percent as compared with those in 1980. Over the past 5 years, nearly 1 million people were given jobs, and the problem of young intellectuals awaiting jobs--a problem which

remained unresolved over the past several years--was basically resolved. Twenty million square meters of housing was completed over the past 5 years. That was equal to 87 percent of the total area of housing completed in the 30 years before 1980. This helped some city residents solve their housing problems.

During the "Sixth 5-Year Plan," the achievements in Shanghai's economic construction were inseparable from the city's reforms in economic structure. In reforming its economic structure, the city expanded the enterprises' decision-making power; preliminarily changed the method of income distribution, the method of "everybody eating from the same big pot"; and set up all types of economic responsibility systems. In the city's suburban areas, the household contract responsibility system with remuneration linked to output was adopted, and the rural production setup was further readjusted. The system of procuring and marketing farm and sideline products was reformed, and a number of trade centers for manufactured consumer goods, farm and sideline products, and means of production were established. The commodity circulation system was turned into an open and multichannel one. With the system of public ownership still predominant, the city developed diversified economic forms and various methods of operation and improved economic relations among enterprises and regions. Shanghai also began to attach great importance to controlling the economy through economic means and carried out some reforms in planning, pricing, and financial affairs, and in the system of extending credits and determining workers' wages. Although the reforms made over the past few years in the city were preliminary, they played a positive role in developing the economy and raising economic efficiency, and provided rich experience for the overall reforms to be made during the "Seventh 5-Year Plan."

3. A better social climate for reform and the open policy has evolved from the consolidation and enhancement of a stable and united political situation.

Since the 3d Plenary Session of the 11th CPC Central Committee, party organizations at all levels have, through an extensive implementation of the various party policies, steadfastly redressed a large number of mishandled cases from "the Great Cultural Revolution" and have effectively solved scores of problems from previous political movements. They have launched an extensive drive to totally negate "the Great Cultural Revolution," conscientiously conducted investigations into "the three types of people," and fired up enthusiasm in all quarters for socialist construction. Devotedly carrying out the four modernizations and pooling efforts for the development of social productive forces have become the practical acts of the broad masses of party members, cadres, and the people.

In accordance with the provisions under the State Constitution, Shanghai has gradually perfected the system of people's congresses at all levels, safeguarded the people's democratic right to become masters, and extended socialist democracy to all sectors of society. It has persistently conducted education on sectors of society. It has persistently conducted education on socialist democracy and the law, used legal weapons to wage a thoroughgoing and sustained struggle against economic and criminal offenses, meted out punishments in accordance with the law to a large number of criminals who have done serious

harm to socialist economic construction and the people's lives and properties, and stepped up overall efforts. These have brought about a noticeable improvement in public order. In addition, the municipality has extensively promoted socialist ethics, created civilized units, organized tours for reporting on exemplary deeds, and mounted reading activities for revitalizing China. These have encouraged and led Shanghai's citizens to emulate the advanced, foster ideals, and adopt new workstyles. Party and government leaders and cadres at all levels have also established a variety of systems for liaison with the people to promote understanding of the current situation and policies and increase ideological interaction with the cadres and the masses. All these efforts have created a good social climate for ensuring success in carrying out reform and the open policy.

4. Organizational preparations for economic and social development have been made through the reorganization and enrichment of leading bodies at all levels.

After the 2d Plenary Session of the 12th CPC Central Committee, Shanghai began to launch a sweeping party rectification drive in accordance with the central unified planning. The second stage is proceeding in a sound way. Party rectification has promoted construction, reform, and the building of leading bodies. In recent years, the municipal party committee has made a major readjustment of leading bodies at and above the prefectural, county, and bureau levels; cultivated a large number of virtuous and capable young cadres; promoted cooperation between new and old cadres; and facilitated the replacement of old cadres with young ones. As a result of the readjustment, leaders at and above the prefectural, county, and bureau levels are 8.6 years younger on the average, and the number of leaders with higher education has risen to 69.1 percent. Accordingly, the age, educational, and professional structures of most leading bodies have improved. The leading ranks of Shanghai's 208 large- and medium-scale key enterprises and a considerable number of individually owned small-scale enterprises have also been reorganized, thereby increasing the vitality of enterprise leading bodies. Under the principle of rendering cadres more revolutionary, younger in average age, better educated, and more professionally competent, Shanghai has built an initial reserve force of cadres at the bureau and departmental levels, thereby creating conditions conducive to improving leading bodies. Many experienced and old veteran comrades have played an exemplary role in abolishing the existing system of lifetime tenure by retiring from their frontline leading posts. Reorganization and enrichment of leading bodies at all levels in accordance with the requirements for rendering cadres more revolutionary, younger in average age, better educated, and more professionally competent are significant to Shanghai's economic and social development.

As in other parts of the country, the current political and economic situation in Shanghai is excellent. However, our thinking still lags behind the trend of developments, and the gap between our work and the requirements of the central authorities is still considerable. It is necessary to be keenly aware of the fact that there are many difficulties and problems, particularly the following ones, on the road of advance:

- a. Problems such as undeveloped infrastructure; poor communications, postal, and telecommunications services; shortages of residential buildings and public utilities; and serious environmental pollution are still rather grave, hampering Shanghai's efforts to build itself into an open and multifunctional pivotal city.
- b. Lack of progress in earning foreign exchange through exportation has adversely affected Shanghai's efforts to introduce more technologies and use more foreign funds.
- c. Some reform measures are incomplete, and reform of macroeconomic control lags behind the new situation of microeconomic activity, thereby obstructing the complete functions of microeconomic vitality and market mechanism.
- d. Shortages of financial and material resources and specialized personnel have limited the pace of Shanghai's economic and social development.
- e. Inadequate attention has led to unsatisfactory results in building a socialist spiritual civilization.

We should have an adequate understanding of these problems. Only by fully affirming the achievements that we have already made and by realistically assessing the various problems confronting us can we expect to build our work on a firm and reliable foundation.

The Seventh 5-Year Plan is a crucial period in Shanghai's socialist modernization drive. We should conscientiously carry out the guidelines laid down by the National Conference of Party Delegates, thoroughly implement Shanghai's economic development strategy, firmly advance reforms and promote the policy of opening to the outside world, adhere to the policy of simultaneously promoting material and spiritual civilizations, and do our best to achieve a self-sustained economic growth at the earliest possible date and fundamentally improve party style and the social atmosphere so that we can lay a solid foundation for building Shanghai, by the turn of the century, into an open and modern socialist city with multiple functions, rational industrial structure, a modern scientific and advanced technological foundation, with a highly-developed civilization. This is a common task of all party members and the people of Shanghai during the next 5 years. We should all actively throw ourselves into the magnificent undertaking of reforming and invigorating Shanghai with unshakable will, a creative spirit, a down-to-earth workstyle, and an undefeatable confidence, and make great contributions to accomplishing our common task.

Creating a Total New Situation in Shanghai's Socialist Modernization Drive

The proposal of the CPC Central Committee for the Seventh 5-Year Plan, approved by the National Conference of Party Delegates, has presented an encouraging blueprint for national economic and social development in the latter 5 years of the 1980's, and inspired the people of Shanghai, as well as the entire nation, to struggle in unison for our great cause. The Seventh 5-Year Plan in Shanghai is an important part of the nation's Seventh 5-Year Plan. We should

comply with the general requirements of building a socialist country with Chinese characteristics, and the general principle of enlivening the domestic economy and opening to the outside world. Under the guidance of the state's plans, we should, by relying on all the people of Shanghai and by taking full advantage of Shanghai's policy of opening to other localities and the outside world, make full efforts to absorb advanced technologies in order to modernize conventional industries, open up new ones, develop tertiary industry, and gradually improve our infrastructure; plant our feet in Shanghai in order to serve the entire nation and the whole world, and serve as a pioneer in carrying out the nation's four modernizations program. This is the basic consideration in mapping out our Seventh 5-Year Plan.

According to the requirements mentioned above, the major goals of Shanghai's Seventh 5-Year Plan are: under the precondition that economic efficiency should continually be improved, we should strive to double the total 1980 production value by 1990; the percentage of output value in tertiary industry in the total production value should be raised from the current 26 to more than 30; the percentage of value of export commodities in the total value of commodities produced in Shanghai should be raised from 30 to about 40, we should strive to raise the quality of major industries and products in Shanghai to the level achieved by industrialized nations in the late 1970's and early 1980's; the total number of professional workers in all fields should increase by 65 percent; we should strive to achieve relatively good results in improving the infrastructure; the actual per capita consumption level of the residents in urban and rural areas should be raised by 6 percent annually on average; we should further improve Shanghai residents' life quality and living environment and conditions; we should strive to gradually turn Shanghai residents' consumption pattern into one for comfortable living.

There are many things to do in order to accomplish the above-mentioned tasks and achieve the established goals, and therefore we must single out the most important ones. In the opinion of the municipal party committee, in promoting material civilization, it is important to pay attention to three major tasks, namely: stepping up construction of the infrastructure; actively making use of foreign capital and increasing exports for more foreign exchange, and speeding up scientific and technological progress and education of specialized people. These are the keys to carrying out Shanghai's economic development strategy and to building an open and modern socialist city with multiple functions. In promoting the socialist modernization drive, we must insist in putting reform above everything else, so that reform and development can accommodate and advance each other. In promoting spiritual civilization, we should strive to bring about a fundamental improvement in party style and the social atmosphere at the earliest possible date, educate a new generation to carry forward our socialist cause, and create a new socialist mood. Only by taking the overall situation into consideration and paying attention to key issues can we effectively drive forward Shanghai's economic and social development and smoothly accomplish our tasks in various fields. For this reason, we should further unify our understanding and take effective measures in order to properly carry out work in the following five areas:

1. Strengthen the construction of basic facilities, improve the investment and living environment.

Basic facilities are fundamental for developing the national economy and for bringing into play the functions of cities; they are also important for the investment environment. Exactly as pointed out by the leading comrades of the central authorities, the situation regarding Shanghai's basic facilities has a direct bearing on Shanghai's position in the Asia-Pacific region. If such facilities are not managed well, Shanghai will probably suffer a decline. From now on, Shanghai should improve its basic facilities and its investment environment in a planned way, with stress on proper areas. We should fully understand the important role of strengthening the construction of basic facilities in remodelling and reinvigorating Shanghai; and in accordance with the demand for unifying urban and rural areas we should integrate the remodelling of old city districts with the construction of new ones, while improving the basic facilities in a planned way.

In order to speed up the construction of basic facilities, it is necessary to base ourselves on the present conditions and make a long-term plan, as well as to adopt a principle of emphasizing both the appearance and the internal structure and of consolidated remodelling. During the "Seventh 5-Year Plan," with stress on improving city transportation, developing posts and telecommunications, increasing the supply of energy, controlling environmental pollution, and speeding up housing construction, it is necessary to build a number of important basic facilities on an installment basis; to make a firm commitment to solve some conspicuous contradictions in opening to the outside world, enlivening the domestic economy, and people's livelihood; and to score achievements and practical results in these aspects of work, thereby enabling the people to realize hopes and increase their confidence.

In improving urban transportation, the important point is to solve traffic congestion at surface intersections of city railways and roads, overcrowding in the ferries on the Huangpu Jiang, problems at the "bottlenecks" of the city's central area transportation, and the contradictions posed by the inadequate transportation capacity of railway stations, harbors, and airports. During the "Seventh 5-Year Plan," plans have been mapped out to complete the construction of an outer-loop project for the Shanghai-Hangzhou Railway basically to solve the problems of railway operations interfering with city transportation; to complete the construction of a cross-river tunnel on Yanan Dong Road to relieve the overcrowding on the ferries and to create conditions for developing Pudong; to complete the construction of the Shanghai-Jiaxing and Xinchang-Songjiang first-grade highways to strengthen contacts with the satellite cities and towns; to remodel Zhongshan Circle Road and open the end of Chengdu Road to improve the urban south-north transportation; to complete the construction of multitier roads with multiple lanes; to start the construction of a subway to increase the transportation capacity of the city's central area; to complete the construction of a new railway passenger station and a number of new terminal tracks; to expand the passenger terminal at Hongqiao Airport; and to increase the loading and unloading capacities of railway stations, harbors, and airports.

Plans have been mapped out to develop posts and telecommunications; to complete the construction of a telecommunications building, a mail transfer station, and a number of post and telecommunications bureaus and offices; to adopt program-control exchange equipment and new communications technology vigorously; to develop international and domestic direct-dialing telephone business comprehensively; and to basically complete the automation of information flow and communications between Shanghai and major cities at home and abroad, thereby bringing about a marked improvement of irregular communications.

Plans were also mapped out to increase energy supply to solve major contradictions between supply and demand of electricity and gas; to build a new power plant at Shidongkou and expand the old plant; to complete the construction of three 500,000-volt power transmission and transformation lines extending from Xuzhou, Huainan, Gezhouba to Shanghai and a number of power transmission and transformation facilities in the city area, thereby enabling power supply basically to meet the needs of economic development and people's livelihood; to complete the construction of gas plants in Pudong and other places and remodel some major old plants, thus raising the rate of popular use of gas from the present 52 percent to around 80 percent.

Plans were mapped out to control environmental pollution with stress on solving the problem of polluted water treatment; to build a number of polluted water treatment plants and a city polluted water converging project to improve the quality of water in the Huangpu Jiang and Suzhou He and, at the same time, to complete the construction of a water diverging project in the upper reaches of the Huangpu Jiang and several water drainage projects in the city area, thus enabling the residents to drink fine-quality tap water and bringing about a basic improvement in the incidence of flooding after torrential rains in most parts of the city.

Housing construction should be accelerated so that the housing shortage can be eased and the living conditions of the people improved. At the same time, it is necessary to build tourist hotels, apartments, and office buildings in order to cope with the needs of the country's opening to the outside world.

Moreover, we should build a Shanghai domestic trade center consisting of several highrises, as well as a number of cultural and recreational facilities, including an international conference center, a cinema arts center, a Shanghai art gallery, and libraries, and in particular revamp the large areas on Tianmu, Zhaojiabin, and Siping roads in order to further improve the city's appearance.

Although the completion of these projects will markedly improve the backward infrastructure of Shanghai, much still needs to be done in order to meet the demands on Shanghai as a multifunction city in the course of opening the country to the outside world and invigorating the domestic economy. In view of the large sum and long construction period required for the infrastructure and our serious shortage of funds, we must explore all available financial resources in the country and concentrate them on infrastructure construction. From now on, local financial resources should primarily be used in infrastructure construction. At the same time, in order to provide a steady source of

funds for urban construction, it is necessary to accelerate the pace of commercializing housing and develop the real estate business in accordance with relevant government regulations. Preferential treatment should be given to attract other fraternal localities in the country to take part in Shanghai's construction. We should realize that due to mounting problems in urban construction, it is impossible to improve Shanghai's backward infrastructure within a short time with just the local financial resources and funds available in the country. It is necessary to take the opportunity of the country's opening to the outside world to promptly seek new ways for utilizing foreign funds, raise funds abroad, and more effectively utilize foreign capital within our capabilities. This should be a strategic measure for accelerating Shanghai's economic development.

In view of the systematic nature, complexity, and difficulty in infrastructure construction, we should map out unified planning and carry out the construction with the cooperation of all quarters. It is necessary to closely and effectively coordinate the overall plan, design, and construction of a project. As infrastructure construction serves all circles and units and benefits all trades and professions, they should undertake responsibilities and duties for the construction. When a construction project contradicts the interests of a certain unit or individuals, it is necessary to consider the overall situation and actively cooperate with the construction in order to ensure its smooth progress. All districts and counties should vigorously organize and cooperate with the construction of infrastructure.

2. Actively utilize foreign capital and increase exports to earn more foreign exchange and expand domestic and foreign economic and technical exchanges

Opening the country to the outside world is our basic national policy, as well as an objective demand for transforming and revitalizing Shanghai to better serve the modernization drive. Actively utilizing foreign capital and increasing exports to earn more foreign exchange are two important and inter-related aspects of the policy of opening the country to the outside world. We should strive to achieve greater progress in these two aspects during the Seventh 5-Year Plan.

An effective way for speeding up the transformation of old industrial bases is to increase the utilization of foreign capital to import more advanced foreign technology. We must further emancipate the mind and actively carry out the work in utilizing foreign capital. Foreign capital and imported technology should be mainly used in key urban infrastructure construction projects, projects that can produce more export goods or that produce "goods that can be substituted for imports," and major technological transformation projects. In utilizing foreign capital, we should, in addition to attracting investment from foreign businessmen, raise funds directly from the international money market, especially commercial loans from abroad, in order to gradually set up a multichannel system of utilizing foreign capital. While paying close attention to bringing Shanghai's advantages into play, we should apply imported technology in strengthening our own research and development by earnestly digesting, absorbing, applying, and innovating the technology and striving to develop such technology in the country in order to build up our self-reliance and facilitate the technological transformation of Shanghai and other fraternal localities.

Utilizing foreign capital to transform our infrastructure is a very complicated job. We must uphold the principle of doing our work vigorously and prudently. This means that we must weigh advantages and disadvantages in boldly borrowing and lending money; in carrying out specific tasks, we must proceed from reality, do what we can do, and make early preparations in order to ensure the completion of our tasks one by one. At present, we must strengthen investigation and study and, in accordance with the characteristics of foreign capital and the varying circumstances, adopt diverse forms of repayment in order to raise economic results in utilizing foreign capital. Projects that can earn foreign exchange and can repay themselves should be built and run by ourselves by using commercial loans. As for projects that cannot earn foreign exchange and repay themselves right away, we should utilize long-term, low-interest loans from foreign governments and international monetary organizations and develop and operate them together with complete projects that can earn foreign exchange. Thus, a basic balance in foreign exchange may be achieved, and the municipality will overall be able to make repayments. Some other projects may be developed and operated by foreign investors through public bidding and in accordance with our plans. We must consolidate and develop Chinese-foreign joint ventures, cooperative enterprises, and enterprises solely financed by foreign businessmen. We should, in accordance with the principle of equality and mutual benefit and the relevant laws and regulations, fully protect the legitimate rights and interests of Hong Kong compatriots, overseas Chinese nationals, and foreign merchants who make investments and develop economic and technical cooperation in Shanghai.

The key to opening to the outside world, utilizing more foreign capital, and importing more technology lies in increasing our exports and earning more foreign exchange. To solve this question, which has a bearing on Shanghai's modernization, we should make the expansion of exports for the purpose of earning more foreign exchange an important goal of the municipality's economic development. Economic departments in the various localities should, in accordance with the demands of the international market and the principle that domestic sales be subordinated to foreign sales, readjust the proportion of distribution of domestic and export commodities, readjust the product mix, raise the quality of products, enhance the competitiveness of commodities, and manufacture more brandname products that are readily marketable. While continuing to consolidate and develop the advantages enjoyed by our light industrial products, we should attach importance to the export of machinery, electrical equipment, chemical products, and heavy industrial products. We should continue to promote trading among factories and peasants as well as technological trade, and should further enliven our foreign trade. We should improve step by step our existing economic policies and award methods to encourage exports; in principle, we should return the retained portion of foreign exchange to the fraternal provinces and cities whose export products are responsible for earning the foreign exchange; we should set up a special fund for export awards in order to encourage enterprises and individuals that have contributed to earning foreign exchange by exporting products.

We should gradually establish an export production system. In accordance with the demands of the international market and in conjunction with the reform to restructure the foreign trade system, we should adopt diverse forms in

establishing an export production system. A system with regulations different from those put into effect throughout the country should be enforced in such fields as proficiency assessment, pricing system, taxation policy, foreign exchange retention, and rewards and bonuses. In this way export enterprises will be able to win political honor and reap economic benefits, and will be enthusiastic about earning foreign exchange. We will advance in two steps during the Seventh 5-Year Plan period: in the first 3 years we will devote our efforts to building foundations, or to making preparations, by having industrial and trading departments map out a joint program for developing some principal export products and key factories. The plan will be carried out step by step. In the last 2 years of the 5-year plan we will concentrate on improving the specialized factories we have established. We will also select some factories to manufacture products that have good prospects for development. In this way a basic export production pattern and system will take shape in Shanghai.

We should adopt flexible and diverse methods in opening up to the international market. Industrial and foreign trade departments should work out a new strategy to open up to the international market after making investigation and study. We should consolidate and develop markets where we already have established a foothold, make vigorous efforts to open up new markets, and expand trade and exchanges with various countries and regions of the world.

We must strive to increase foreign exchange earnings through undertakings other than foreign trade. Along with our growing economic and technical exchanges, as well as trade, with foreign countries, we will definitely face bright prospects in such undertakings. We should vigorously promote tourism, international air freight and marine transportation business, and foreign insurance business, and do a good job in providing good service to foreigners. At the same time, we should strive to increase foreign exchange earnings by expanding export of labor services and contracting more construction engineering and scientific and technical research projects with foreign countries.

Opening to the outside world and establishing lateral ties at home should supplement each other. In establishing horizontal economic ties and carrying out reform at home, we must adhere to the principles of making the best possible use of favorable conditions and avoiding the unfavorable, diversifying forms of cooperation, benefiting each other, and seeking common development; we must map out, as quickly as possible, plans for establishing such ties in order to open up new ways for cooperation between various regions in the country. We should take the initiative to cooperate with the provinces and cities within the Shanghai Economic Zone, as well as other fraternal regions, in setting up a number of joint production bases for famous brand products, bases for developing a series of products through scientific research, comprehensive bases for developing important resources, and bases for coordinating and processing export commodities, thereby forming blocs of new enterprises comprising different regions and departments. The intensified lateral ties between enterprises will smash the trammels shackling different regions and departments, promote planned development of the commodity economy, rationalize enterprise structure, liberate the social forces of production, make optimum use of favorable conditions, and bring about common prosperity of Shanghai and other regions.

3. Speed up scientific research and training of specialized personnel to facilitate transformation of traditional industry, steady expansion of production, and advances in all fields.

It is an important measure of the Seventh 5-Year Plan to apply scientific research projects and advanced technology to accelerate technological transformation in various economic sectors of Shanghai and rebuild old bases on new technological foundations. We must uphold the policy that "economic construction must rely on science and technology, and scientific and technological work must serve economic construction" by stepping up cooperation between scientific and technological departments and economic departments and facilitating the transfer of scientific research projects to production so that science and technology can play a more effective role in strengthening the infrastructure, increasing foreign exchange earnings, transforming traditional industries, and exploring new fields of industry.

In order to lessen our gap with world advanced levels, we are confronted with a pressing task to skip certain stages in the development of certain important fields in traditional technology by applying new technology of the world to transform our traditional industries. Shanghai's traditional industries face problems of outdated technology and equipment. Based on the strategic demands of economic development and readjustment of the industrial pattern in transforming and developing Shanghai's traditional industries, we should focus our attention on raising economic efficiency and upgrading product quality; in line with the requirements for reducing energy and material consumption, transport distance, and industrial waste and increasing technological intensity and product value, we should organically combine the readjustment and reorganization with the transformation, thereby gradually eliminating poor quality products and systematically developing high technology products, fine quality and famous brand goods, and export commodities.

As industry is the main body of Shanghai's economy, to maintain sustained growth of industry is of primary importance for expanding exports, maintaining a prosperous domestic market, providing more funds for infrastructure, and increasing state accumulation. During the Seventh 5-Year Plan, Shanghai's industry production should increase at an average annual rate of 6 percent, a growth rate that is appropriate and will be conducive to the strategic changes of economic development and the smooth progress of reform, as well as to a sustained, steady, and balanced growth of the national economy. Industrial departments should pay close attention to technological transformation and present production tasks and concentrate efforts on readjusting product mix, improving product quality, lowering consumption, and strengthening management in order to produce goods in great demand in domestic and international markets and fulfill or overfulfill planned tasks on the basis of better economic efficiency. Shanghai's industry consists primarily of the processing industry. Along with progress in economic structural reform and changes in the circulation system, problems will crop up in the supply, production, and marketing of industrial goods. We should constantly study new situations and bring into full play Shanghai's economic advantages in order to gradually develop industry on a new pattern.

The transformation of traditional industries is closely connected with the promotion of new, developing technologies. During the "Seventh 5-Year Plan," we must attach importance to the promotion of new, developing technologies and work hard to make breakthroughs in the fields of microelectronics, biological technology, optical fiber communications, new-type materials, and others so that industries may be fostered in some of these fields. We must continue to strengthen our basic research work in these fields that will greatly affect the national economy, vigorously put the results of basic research work into practice, and pay attention to some intermediate and long-term projects that will greatly affect the national economy and the people's livelihood and are of great strategic significance. We must actively promote the "Spark" Plan; accelerate the training of scientific and technical personnel in the countryside; and develop some short-term technical development projects that are compatible with the technical standards of medium-sized and small enterprises and will have quick economic results. We must bring into full play the exemplary role of such projects while raising the scientific and technical standards and the administrative standards of medium-sized and small enterprises and town and township enterprises in developing rural construction.

Qualified people constitute the key and education is the foundation in facilitating scientific and technical progress and accelerating construction work in all fields. The leadership at all levels should attach importance to intellectual development and pay attention to education just as they do to economic work. Based on the fact that education must serve the modernization drive and the world and meet the needs of the future, we must study and work out the development strategy for education in Shanghai, readjust the educational structure, reform educational concepts and methods, train more teachers, and further develop Shanghai's education while ensuring quality in the educational field. To train qualified personnel, we must proceed from preschool education and primary and middle school education. It is estimated that enrollment in childcare centers, kindergartens, and primary and middle schools will reach a peak during the "Seventh 5-Year Plan" period. All sectors in society must pool their efforts to pay attention to and tackle this issue as early as possible. It is necessary to actively create conditions for the popularization of the 9-year compulsory education system in rural and urban areas by 1987 and to lay the foundation for the popularization of senior middle school education in the 1990's. In popularizing higher education, it is essential to tap the potentials of the existing institutions of higher learning; rebuild and expand them if necessary; readjust professional departments; strive to raise educational standards; train more professionals in various specialties, high-level administrators, and highly competent teachers that are badly needed, so that more students can be enrolled in institutions of higher learning. Efforts must be made to promote adult education and various on-the-job training at different levels and through various channels. Vocational and technical training centers must be set up in all fields of endeavor to gradually form a system to promote vocational and technical education. Efforts must be made to strengthen the building of all party schools and cadre schools to form a cadre education network. Through all types of education, we must help all workers markedly raise their political, ideological, cultural, and technical levels; we must train a group of first-rate and outstanding qualified people who will distinguish themselves at home and abroad;

and we must educate more able personnel, cadres with managerial expertise, and competent rural and urban workers for Shanghai's transformation and rejuvenation.

To develop science, technology, and education, it is necessary to earnestly implement "the decision made by the CPC Central Committee on reforming the scientific and technical system" and the "decision made by the CPC Central Committee on reforming the educational system" in close connection with the actual situation in Shanghai. Efforts must be made to adequately increase investments in scientific research and education. The growth rate of appropriations for science and technology and for education must be higher than that of regular revenue. It is essential to further implement the policy on intellectuals; to respect knowledge, qualified personnel, and teachers; and to create a fine social environment and necessary working conditions to strengthen personnel training, tackle key problems in science, and make new inventions. There are a total of 49 ordinary institutions of higher learning, nearly 1,000 scientific research organizations, and 550,000 professionals of all types in Shanghai. All these constitute the main force in developing the economy, science and technology, social progress, and research. We must rationally determine the division of labor on the basis of their own special characteristics, help them coordinate with one another, and make the best use of the specialties of all types of professionals at all levels. Full attention must be paid to developing mass activities to carry out technical innovations and rational proposals. It is essential to encourage scientists and technicians, administrative personnel, and skillful craftsmen to carry out innovations and promote creations. Among retirees, there are some experts, scholars, administrators, and technical workers. We must proceed from actual conditions, and adopt various measures to continuously bring their role into full play.

4. Persist in the overall reform of the economic structure and ensure the implementation of Shanghai's economic development strategy.

The development of a planned socialist commodity economy is the prerequisite for bringing into play the multifunctional role of Shanghai as an urban center; further implementing the policy of developing an open domestic economy and opening to the outside world; and developing tertiary industry. Economic structural reform being undertaken in recent years is designed to change the old economic structure into a planned commodity economy. If we do not make the change, Shanghai will lack vitality in economic development and will be unable to bring into full play the comprehensive functions of an economic center. We should firmly implement the "decision of the CPC Central Committee on reform of the economic structure," and reform our economic structure unswervingly, prudently, and reliably. This is an important strategy in an all-round way.

While listening to a briefing on Shanghai's work, Comrade Zhao Ziyang pointed out: Shanghai should be ahead of other cities in urban reform and make a breakthrough in it. I hope that Shanghai's comrades bravely assume this glorious and arduous task, and contribute to accomplishing the great task of economic reform of our country. We should persistently put the reform above everything else, handle correctly and well the relationship between reform and construction, and make reform and construction coordinate with and promote each other.

We should follow the demands set by the Central Committee on the reform of the economic structure in its proposal for the Seventh 5-Year Plan. We should follow the Central Committee's instruction that reform of the economic structure in 1986 must adhere to the principle of "consolidation, digestion, supplement and improvement." We should consider Shanghai's reality. After consolidating and enhancing the results of the current reform, we should conscientiously sum up experience, conduct investigation and study systematically, and prepare ourselves to continue to make important strides forward in reform the next 2 years. During the Seventh 5-Year Plan, Shanghai should make a breakthrough in restructuring the economy in the following respects:

We should take a further step toward increasing the vitality of enterprises, particularly large- and medium-sized state-run enterprises. This is a central link in the restructuring of the economy, with the focus on the urban economy, as well as a basis for invigorating the national economy as a whole. We should continue to implement the State Council provisions on giving enterprises greater decisionmaking powers and the specific procedures prepared by the municipal government for implementing the provisions. While strengthening indirect control, we should gradually reduce our direct management of enterprises. We should step by step lower the regulatory tax, increase the rate of depreciation, practically reduce unreasonable burdens on enterprises, and enhance the ability of enterprises to transform and develop themselves. We should strive to experiment on collecting retirement contributions from workers and staff members of state and collective enterprises and gradually establish a new social security system. We should invigorate small state enterprises through the process of contracting, leasing, transferring, or other actions, and further develop the collective economy and the individual economy dealing primarily with labor services. All enterprises should pay attention to their internal affairs; constantly improve the system of economic responsibilities; continue to reform their management, personnel system, and distribution system; implement the system of the director or manager assuming full responsibility; improve overall quality; and bring into better play their strengths and potentials. At the same time, we should gradually improve the city's economic management system in accordance with the principle of divided functional responsibilities between government and enterprise. The readjustment and reform of administrative corporations should be carried out step by step in a planned way. We should conduct experiments first in the bureau of mechanical and electrical industry and in the administration of medicine to gain experience, and then gradually popularize the experience in other trades.

We should develop the commodity market in a planned way to gradually perfect the market system. In order to establish and perfect the socialist market system, we should first make great efforts to develop the commodity market. In the consumer goods market, we should let state-operated commerce play a leading role, continue to develop diversified economic forms, and actively explore new commercial forms such as agricultural-industrial, agricultural-commercial, and agricultural-industrial-commercial combinations. We should strengthen and develop wholesale enterprises and trade centers. We should open our gates and welcome other provinces and cities to run firms and trading companies in Shanghai. We should encourage transregional associations formed between Shanghai's commercial enterprises and the commercial enterprises of other economic centers in China, promote two-way trade, and truly turn

Shanghai into a large commodity exchange center. In the meantime, it is necessary to develop the market for means of production and gradually make more goods and materials available on the market. State-run commercial establishments as well as goods and materials departments should actively participate in market activities to regulate supply and demand and hold down prices. It is also necessary to gradually open a banking market to facilitate capital flow. While trying to meet the requirements for establishing a socialist banking system which is centered around the central bank, is primarily reliant on specialized banks, and allows the simultaneous existence of different kinds of banking organizations, we should, in view of the fact that Shanghai currently has few banks and credit instruments, increase the number of banks; successfully operate the communications banks; gradually expand banking business with foreign countries; promote capital flow among localities and specialized banks; vigorously encourage residents to make savings deposits; and develop the insurance service. It is necessary to further expand the technical market, encourage extensive technical transfers and exchanges with recompense, and establish integrated entities that encompass scientific research and production so that more scientific research results may turn into productive forces. Efforts should also be made to promote a reasonable flow of the labor force, ensure a healthy market for the construction industry, and explore ways to establish markets for housing, real estate, and information.

Comprehensive efforts should be made and all available means should be tried to strengthen and improve macroscopic control. In the near future, we should focus our attention on work in three fields: 1) Further improve the investment structure. To meet the requirements to keep the size of investment in fixed assets throughout China under control during the first 2 years of the Seventh 5-Year Plan we should, by tightening the control of credit and extrabudgetary funds, ensure that the overall scale of construction projects in Shanghai stays within the limits allowed by the state. Meanwhile, construction of new projects should be curtailed, and some projects under construction should be delayed so that we can concentrate our efforts on the key projects and other projects that have been completed and put into operation. 2) Strictly control the rate of price increases. Reform of the price structure will determine the success or failure of reform of the economic system as a whole. We made an important step forward in price reform in 1985. In line with the State Council's unified plan, we should continue to take effective measures to maintain basic stability of prices of consumer goods. Ensuring the supply of staple and nonstaple foods is an important matter for Shanghai. Leadership at all levels should pay attention to availability of commodities in the market, show concern for the people's livelihood, and try their best to increase production, facilitate circulation of goods, and guarantee their supply. 3) Study and explore ways to make comprehensive use of methods to regulate the economy. An important way to improve macroscopic control and establish a new system for such control is to apply economic, legal, and all the necessary administrative means in a comprehensive manner in accordance with the principle of letting each level make its own decisions. We have instituted a system of joint meetings of economic departments that handle comprehensive matters and have gained some experience in coordinating measures for reform. From now on, we should simultaneously reform the planning, price, financial, banking, and labor and wage systems in a coordinated way so as to better use the various

economic leverages in a comprehensive manner. Meanwhile, we should improve economic legislation, enforce economic laws, tighten economic supervision, and build up an information network to gradually perfect the system for exercising indirect control.

While carrying out urban reform, it is necessary to do a good job in carrying out rural reform on the outskirts at the same time. In recent years, rural economy on the outskirts of Shanghai has developed continuously, steadily, and coordinately in the course of reform. It is advancing in the direction of unification between the urban and rural areas. However, there have also been some problems, such as the failure to implement some policies, failure to provide necessary conditions for reform, and lack of coordination in economic development.

During the "Seventh 5-Year Plan," it is necessary to persist in doing a good job in carrying out the second step of reform in accordance with the principle of comprehensive development of agriculture, forestry, animal husbandry, sideline production, and fishery, and the principle of consolidated management of agriculture, industry, commerce, and transport; as well as in accordance with the demand for self-sufficiency in grain among the peasants on the outskirts and the demand that the city depend on the outskirts for the supply of major nonstaple foods. It is necessary to continue to perfect the rural cooperation system; promote comprehensive development of the rural economy in a coordinated way; and speed up the transformation of such economy in the direction of specialization, commercialization, and modernization by relying on policies and science in order to provide still better service for the people's livelihood in the city.

Currently, it is necessary to make great efforts to grasp the two weak links, namely grain and feed; vigorously develop the production of nonstaple foods; and continue to give guidance and assistance in the development of town and village enterprises to increase the strength of "industrial support for agriculture." It is necessary to further delegate powers to counties to raise their ability to control the whole economic situation in a comprehensive way. It is necessary to make efforts to run state farms well. All trades and professions in the city should vigorously support the development of the rural areas on the outskirts. Shanghai, as a city, has always maintained a good tradition of supporting the rural areas, and it should continue to carry forward such a tradition in the future and score new achievements in supporting agriculture with industry, science, technology, culture, education, and public health activities.

Comprehensive reform of the economic structure with stress on the city is a tremendous social system project. Certain conditions are required to carry out the various reforms, and the results of some reform measures can only be noticed after a definite period of implementation. Therefore, we cannot expect instant results from each reform, nor can we demand that each reform bring tangible material interests to each member of society. In the course of reform, contradictions of all kinds will emerge, and there will probably be mistakes during investigation. Therefore, we should simultaneously carry out our practice and sum up our experiences while steadily advancing. We

should never have any doubts about reform when we encounter contradictions. Without reform, there will be no way out. Problems that emerge in the course of reform can only be solved by further perfecting reform, and we should never retrogress.

The orientation, principle, and procedures of reform as determined by the central authorities are now all very clear. People of all circles have obtained a clearer understanding of the outline of the socialist economic structure with Chinese characteristics, and they are more unequivocal about the ways to proceed with reform in the future. If only we persist in regarding the public ownership of the means of production as the main body; adhere to the two fundamental principles of distribution to each according to his work and creating common prosperity; be good at proceeding from Shanghai's reality; carry forward the courageous spirit of making initiatives; boldly probe and advance, and, at the same time, adopt an attitude of prudence in handling actual reform procedures, we will certainly be able to push forward every reform.

5. Strengthen the building of socialist spiritual civilization, bring up a generation of new people, and foster new customs.

Socialist material civilization and socialist spiritual civilization are interdependent and promote each other. Comrade Deng Xiaoping pointed out: "Material progress will suffer delays and setbacks unless we also strengthen the building of a spiritual civilization. We will never succeed in revolution and construction if we rely on material conditions alone." We should attach great importance to the building of a spiritual civilization. This is our party's long-term strategic principle, which is also a fundamental principle we must uphold in order to accomplish the strategic goal of carrying out reforms and invigorating Shanghai. Shanghai is the largest economic center of our country and is more civilized and more advanced than other cities of China. In the course of promoting socialist modernization, we must strive to achieve progress both materially and spiritually; we must not only turn out firstclass material products but must also turn out firstclass intellectual products, bring up a generation of new people, and foster new customs.

In building a socialist spiritual civilization, we should begin with efforts to raise the basic quality of our people and strive to bring up new people who cherish lofty ideals and moral integrity, who are better educated, and who observe discipline. Major changes in the people's economic life brought about by reforms and economic development will also inevitably bring about a profound change in the people's way of thinking, cultural life, and lifestyle. This profound change in turn will require that people have higher political consciousness as well as higher scientific and cultural levels. In accordance with the demands of the new historical period, we must unremittently conduct education among cadres and the masses with the goal of turning them into people who cherish ideals and moral integrity, who are better educated, and who observe discipline; we must uphold the four basic principles, resist and oppose the corrosive influence of capitalism and decadent feudal ideas, resist and oppose bourgeois ideas of liberalization, and carry forward the revolutionary spirit of working hard to realize socialist modernization and

invigorate the Chinese nation. In bringing up a generation of new people, we must pay special attention to the upbringing and education of young people. The upbringing of children and the training of university students and post-graduates rely on the coordination of school education, social education, and home education. We should unfold various forms of educational activities suitable to their characteristics and make good use of typical examples of advanced persons who cherish communist ideals in real life to guide them to gradually foster a revolutionary outlook on life and a scientific world outlook. This will enable our young people to develop morally, intellectually, and physically. In the light of reality, all trades and enterprises should strengthen education on vocational ideals, vocational ethics, and vocational discipline; carry forward the new civilized habit of observing public morality and gladly helping others; and further promote the new social relationship in which there is unity, mutual assistance, and mutual love among people, so as to turn an increasing number of them into workers who cherish ideas and moral integrity, who are better educated, and who observe discipline.

To advance the building of a socialist spiritual civilization, we must further improve our ideological and political work. This work is the lifeline of economic work and all other work. All party committees should do a good job in ideological and political work by adopting effective measures and by relying on party members and other forces in society. We should strengthen the building of contingents of political workers, bring into play the role of political work departments, and carefully study the characteristics of ideological and political work and the laws governing it in the new historical period, so as to make ideological and political work better serve realization of the party's general tasks and goals, to closely coordinate with economic development and economic reform, and to meet the needs of the new situation. We should conduct in-depth education on patriotism, collectivism, socialism, and communism among the people throughout the municipality. In addition, we should frequently conduct education among them on the situation and policies. In conducting such education, we should take into account what the masses are thinking and adopt flexible and varied forms of education to guide them to correctly understand and handle the relationships between rigid methods of reforming the economic structure and adherence to socialist orientation; between developing the socialist commodity economy and preventing the intrusion into the political sphere of the principle on commodity exchange; and between learning from advanced foreign science, technology, and managerial knowledge and overcoming the practice of worshipping and having blind faith in foreign things or blind opposition to everything foreign, so as to promote reforms and open to the outside world. Leading cadres at all levels in the party and government should go deep down among the grassroots from time to time and set up a system of contact with the masses. They should hold regular discussion meetings with the masses; listen attentively to grievances voiced by the masses at discussion meetings and at heart-to-heart talks and offer them explanations according to facts; timely redress unreasonable phenomena reflected by the masses. In solving ideological problems, we must persist in giving guidance or rely mainly on the principle of persuasion; we must not commit the "leftist" mistake again. We should be quick both in understanding and analyzing people's thought; correctly handle various contradictions among the people guide the masses to persist in the correct direction of socialism; ensure the

implementation of the party's line, principles and policies; and consolidate and develop the stable, united, and lively political situation.

The foundation for building a socialist spiritual civilization lies in strengthening the study of Marxist theory. Putting into practice China's great socialist modernization has provided very rich material and fertile ground for the development of Marxist theory. On the other hand, the great practice pressingly requires the guidance of theory. To meet the needs in building China into a socialist country with Chinese characteristics, we not only require professional and managerial knowledge; we must also study and understand the basic theory of Marxism. Only through knowledge, can we boldly engage in reform and raise our ability to solve new basic problems in politics, economy, society, and culture. In accordance with the Central instructions and within the framework of the cadre education plan, cadres at all levels, especially leading CYL cadres at the country level or above, should link with reality and within 3 to 5 years make a serious and systematic study of the basic theory of Marxism, modern Chinese history, party construction, contemporary world economy and politics, the international communist movement, and the important documents since the 3d Plenary Session of the 11th Party Central Committee. They should constantly strive to raise their ability to solve practical problems through the application of the Marxist position, view, and method of analysis in order to acquire a stronger sense of adhering to principles in work, a systematic approach, foresight, and creativity. Party schools at all levels should contribute more to raising Marxist knowledge among cadres. Philosophical and social science workers bear an especially heavy burden of strengthening theoretical construction. Shanghai is strong in philosophical and social science research and has shown results in such work. It should orient itself to important research projects such as on strategic problems in economy, science, and technology; social development; and economic structural reform, and strive to produce high quality research results during the Seventh 5-Year Plan.

At the same time, we should step up research on the latest branch of learning and on frontier science. Theoretical workers should closely link and cooperate with their own departments; bring the spirit of seeking truth from facts into play; breathe new life into academic circles; steadfastly and boldly persist in the fundamental principles of Marxism; daringly explore new problems cropping up during reform and construction; and strive to apply practical experience of the new historical period to enrich and develop Marxist theory.

Cultural construction is an important component in building spiritual civilization, which is also an important condition for expanding the people's spiritual realm and raising the masses' cultural level. Shanghai is one of China's important cultural centers having relatively good foundations in such cultural undertakings as scientific education, press, publication, radio, television, literature, arts, public health, and sports. With the development of the social economy and the raising of the people's material living standards, people are making more and more demands on spiritual and cultural life. We should satisfy the people's needs with more and better intellectual products and provide a good social and cultural environment for building material civilization. The production and circulation of intellectual products directly affect the people's

spiritual outlook and social conduct. We should put social benefits at the forefront, and raising of social benefits should come before economic benefits. As for the ideological and cultural fields, we should, on the premise of adhering to the four basic principles, seriously implement the principle "let a hundred flowers blossom and a hundred schools of thought contend." We should promote free exploration in literary themes, style, and forms of expression. We should also increase literary review work. Party ideological and cultural workers should have a strong sense of social responsibility. They should constantly strengthen party spirit and unity; persistently follow the correct way of serving the people enthusiastically go down among the masses and live with them; breathe the same air and share the same fate with the people and the country; constantly raise the quality of ideological, political, and cultural standards; strive to provide the people with spiritual food that is worthy of our great period, reflect new things cropping up in the great change; educate and encourage people to struggle for the four modernizations; entertain the masses with culture and fine arts; and contribute efforts to invigorate Shanghai's cultural undertakings.

It is necessary to do a good job in overall planning and to strengthen the building of the cadre ranks in the spirit of reform in order to invigorate cultural undertakings in Shanghai. To meet the requirements of Shanghai's economic development strategy, it is essential to organize forces in various quarters to study and map out a cultural development strategy for the municipality. The principles, objectives, structure, and ways for the municipality's cultural development should be designed or planned in a comprehensive way. Vigorous efforts should be made to engage in cultural exchanges with other parts of the country and with foreign countries; to inherit and develop the fine cultural traditions of the nation; to absorb advanced cultural achievements of the world; and to build socialist culture with Chinese characteristics. To promote cultural prosperity in Shanghai, it is of fundamental importance to build a contingent of cultural workers with quite high professional standards who adhere to the socialist orientation. We should attach importance to the training of qualified personnel in the arts and culture as well as to their on-the-job training and enable various outstanding people to show and use their talents so that a rational structure of qualified personnel in the cultural field will take shape step by step in Shanghai. During the Seventh 5-Year Plan, cultural undertakings in Shanghai should be properly developed and number of cultural facilities should be timely built. It is necessary to vigorously develop cultural undertakings for the masses; to pay attention to teenagers' spare-time cultural activities; to further promote reading activities among workers and staff members; and to make proper arrangements for old people's cultural activities. At the same time, efforts should be made to further develop sports and public health; to build more sports; medical, and health facilities; to extensively carry out mass sports and recreational activities and the patriotic health campaign; to continue to do a good job in family planning; and to continuously improve the health of the people.

We should continually strengthen socialist democracy and the socialist legal system to ensure and support the building of a socialist spiritual civilization. In building a socialist spiritual civilization, we should first focus our attention on bringing about a fundamental turn for the better in party style

and the standards of social conduct. We should rely on education and the law to bring about as soon as possible a fundamental turn for the better in party style and the standards of social conduct. The broad masses of people should be educated to understand the fundamental differences between socialist democracy and bourgeois democracy and to correctly exercise their democratic rights. In the next 5 years, efforts should be made to spread knowledge of the law among the people in the municipality, to enhance their understanding of the legal system, and to enable the cadres and masses to cultivate the habit of understanding and abiding by the law and acting according to it. Political, ideological, cultural, educational, administrative, and legal means should be fully used to solve problems in public order in a comprehensive way, and forces in various quarters should also be mobilized for this purpose. Extensive activities should be carried out to build civilized units in order to promote the development of socialist spiritual civilization in basic units. Developing socialist democracy and strengthening the socialist legal system should go hand in hand in order to guarantee the people's legitimate freedom and rights. At the same time, continuous efforts should be made to crack down on criminals who seriously jeopardize economic and public order and harm the interests of the people and to ban all practices that corrupt social morals so as to further improve public order and bring about a noticeable reduction in criminal cases. Then, corrupt practices will be effectively checked, and new practices characteristic of a socialist culture will prevail and develop on various fronts in Shanghai.

The building of a socialist spiritual civilization, like that of a socialist material civilization, is a long-term task that cannot be accomplished in short time. We should not relax but keep up our efforts in this regard. While persistently working for the development of material civilization, party organizations at various levels should strive to build a spiritual civilization in order to develop our work soundly along the correct socialist road.

Raise Party Building to a New Level

The historic task of bringing about a new situation in the socialist modernization of Shanghai is now before the party organizations in the municipality. We must uphold and improve party leadership and strengthen party building in order to effectively ensure the successful fulfillment of the various tasks set in the Seventh 5-Year Plan. While reforming and revitalizing Shanghai, we must strive to raise party building to a new level ideologically, organizationally, and in workstyle.

1. Resolutely correct unhealthy tendencies and bring about as soon as possible a fundamental turn for the better in party style.

Improving party style is an important condition for promoting comprehensive reforms and the building of material and spiritual civilizations. Our party has fostered a fine Marxist style in a protracted revolutionary struggle and has waged an unremitting struggle against various unhealthy tendencies, thus effectively ensuring one victory after another in both revolution and construction. In the new historical period, leading comrades of the party Central Committee have repeatedly expounded on the utmost importance and urgency of

rectifying party style. A leading comrade of the party Central Committee recently stressed that rectifying party style is the key to improving the standards of social conduct. We must realize a fundamental turn for the better party style in 5 years, and there are now only 20 months left. We must make vigorous efforts to improve party style and not relax our efforts for a single day. Things look promising if we really make efforts to achieve this goal; otherwise, there will be no hope. If we do a good job in improving party style, it will really be conducive to promoting reforms and construction. Comrade Chen Yun incisively pointed out that "the style of the ruling party is a matter concerning its survival." This is an extremely important and serious matter. Each of our party members and cadres who are party members, especially leading cadres, must ideologically pay close attention to this matter and be most firmly determined to bring about a fundamental turn for the better in the party style in the next 2 years.

To further correct party style, we must analyze the present situation of Shanghai's party style in a down-to-earth manner. Since the 12th Party Congress laid down the task of fundamentally improving party style within 5 years, Shanghai party organizations have, under the correct leadership of the party Central Committee, strengthened work in party spirit education and discipline inspection. Shanghai party organizations have conducted party rectification in stages and batches, resulting in strengthened ideological and organizational construction of the party. The broad masses of party members and cadres have made efforts either in implementing the Marxist ideological line of seeking truth from facts and executing reforms and opening up policies or in leading a normal party life. Many duty-conscious, hardworking, and creative party members and cadres have emerged; party organizations with strong party spirit and good workstyle have also appeared. They resist unhealthy tendencies and play the role of a battle fortress. The vast majority of Shanghai party members and cadres is good or relatively good. Party organizations also have fighting strength. There are aspects of obvious improvement in party style. Municipal party discipline inspection committees at all levels have done a lot of work in correcting party style and enforcing party discipline. However, we must frankly point out that party style has not been fundamentally improved and not a few problems remain to be solved. The central authorities' analysis of problems in party style applies to the situation in Shanghai. Six aspects of serious unhealthy tendencies in party and government organs also exist in Shanghai. Bureaucratism, political liberalism, individualism, departmentalism, lack of criteria in job assignment and doing things, and loose organization and discipline are the kind of unhealthy tendencies found in varying degree among some party member cadres and leading cadres. A few party members and cadres lack the lofty ideal of lifelong struggle for communism; they have forgotten the fundamental purpose of wholeheartedly serving the people; they have even abused power to seek personal gains. In addition, there are a very few people, blinded by material gains, who seek and take bribes and engage in corrupt practices, speculation, and profiteering--acts that reach the stage of committing serious crimes. Although these corrupt phenomena can only be found among a very few people, they have an adverse influence; they seriously hurt the party's prestige, corrupt party style and social conduct, and hamper the smooth progress of reform and construction. The broad masses of party members and people deeply oppose these corrupt phenomena.

Workstyle of leading organs and leading cadres plays a big influential and exemplary role. Therefore, correcting party style and checking unhealthy tendencies should start with leading organs and leading cadres of the party and government. Not long ago, Comrade Hu Yaobang delivered an important speech at a meeting of central organ cadres and called on central organs and Beijing organs to be the nation's models in raising work efficiency, in studying, in implementing party discipline, and in strengthening party spirit through lofty spirit and outstanding workstyle. We should resolutely respond to the call of the central authorities. Starting with the municipal party committee and leading cadres at municipal-level organs of the party and government, we should emphasize party style work of leading organs and among leading cadres at the county level or above. Leading cadres should play an exemplary role and strive to do a good job in their own unit and their own department; ensure results in correcting party style at one level; that have undergone rectification units or departments should help others; and one level should bring up another level. We should "first correct our own and then try to correct others." We should carry forward the excellent tradition of the party and with better efficiency, play an exemplary role in bringing about a fundamental improvement in party style in the municipality.

We should uphold the principle of being strict and practical in correcting party style. The reason some departments and units have not achieved results in correcting party style is that for some time, some of our leading organs and cadres did not have sufficient understanding of the seriousness and dangers of unhealthy tendencies. They dared not tackle problems. In solving problems, they talked more than they acted. They let obvious criminal cases drag on, which did not help to timely stop evil trends. The municipal party committee tackled the problem of party style, but without great determination, in addition, measures were not effective enough. We should speak less empty words and do more practical work. We should start with concrete cases. We should rely on the masses and step up investigation. We should tackle difficult cases. We should show no favor, break through hindrances, and resolutely investigate big and important cases. We should step up investigation of cases involving offspring of senior cadres and senior cadres who break state laws and party discipline; the higher the rank, the more we should investigate and mete out punishment. Only by doing so, can the cadres be educated and become vigilant, and some people will be saved. Otherwise we will drift away from the masses, and the pernicious influence will hurt our people and our country. Party discipline inspection commissions at all levels and political and legal departments should dutifully handle cases, boldly exercise power, cherish righteousness, and put a stop to evil trends.

Our efforts to improve party style and correct unhealthy tendencies must be resolute and sustained. To establish good party style is a long-term task of party building, relying on constant ideological education and necessary rules and regulations. Party committees at all levels should be concerned about and support the work of the discipline inspection commissions. We should universally strengthen education in party spirit, party style, and party discipline among party members and cadres in Shanghai and organize them to seriously study the party Constitution, the "Guiding Principles for Inner-party Political Life," other relevant stipulations, and the central leading comrades'

important speeches. Party members and cadres should compare what they have studied with reality and with their own speeches and deeds to discover disparities, carry forward strong points, overcome weaknesses, and enhance awareness of the need to implement the party's line, principles, and policies and to observe party discipline and law. In the course of carrying out ideological education, we should pay attention to commending the deeds of outstanding party members, excellent cadres, and advanced collectives that have fully played an exemplary vanguard role. In order to ensure success in improving party style and correcting unhealthy tendencies, we must have strict regulations and rigorous discipline. In the course of reform, opening to the outside world, and invigorating the economy, we must strictly abide by the rules and regulations formulated by the Central Committee and the municipal party committee, ensure that all party members and cadres know what may or may not be done, and draw clear lines of demarcation in applying ideological principles and policies. Party committees at all levels should implement a system of responsibility to ensure good party style; make constant inspection and supervision; nip evil in the bud; correct shortcomings and mistakes without delay; sum up experience and lessons; and truly play an exemplary leading role.

Party organizations at all levels should treat the work of improving party style and correcting unhealthy tendencies as an important item on their daily agenda, do it firmly and meticulously, and earnestly strengthen their leadership over it. We should pay close attention to developments, seek truth from facts when analyzing problems, and have the courage to expose and sternly handle unhealthy tendencies that indeed exist in our party. At the same time, we should not regard all problems simply as problems of party style. To correct unhealthy tendencies does not mean to slacken or abandon our reform efforts. It is to remove obstacles to reform and opening to the outside world. We should do our work well in an active, conscientious, and responsible spirit and ensure smooth process of reform and construction. In the course of improving party style and correcting unhealthy tendencies, we should not launch movements, nor let everyone pass, nor exaggerate at will in criticism. We should proceed from reality and handle problems as they are. To deal with ordinary problems of cadres with CPC membership, all we have to do is to stress ideological education and help them strengthen their party spirit, raise their political awareness, and examine and correct their problems. Serious problems of a small number of cadres with CPC membership should be sternly dealt with according to the characteristics of the problem and the seriousness of the case, and in accordance with party discipline and law. We should not tolerate nor shield them. Individuals who do evil should be investigated and punished accordingly. If there is malpractice resulting from a collective party committee decision, the party committee and the leading cadres involved should be investigated to determine who is to blame. A leading cadre should be replaced or transferred to another post without delay if he has a serious problem in his workstyle and stubbornly refuses to mend his ways or he shows poor leadership over the work of correcting unhealthy tendencies. The municipal party committee believes that we can surely fundamentally improve party style in Shanghai if we seriously implement the instructions of the Central Committee, strictly carry out the party's policies, and firmly do our work well.

2. It is necessary to continue doing a good job in party rectification and strengthening the party's organizations at the grassroots level.

In accordance with the demand and plan of the Central Commission for Guiding Party Rectification, various organizations at and above district, county, and bureau level; schools of higher learning; scientific research institutes; and large backbone enterprises in Shanghai have in the main completed the party rectification work. However, the task of further strengthening party spirit is not yet complete. All units that have undergone party rectification should conscientiously make earnest self-examination to find out if they have improved the party's workstyle and the results of implementing various measures to strengthen party building in order to further consolidate and develop the achievements of party rectification.

Party rectification is being unfolded at the grassroots level in various suburban counties and municipal districts now. This is a very important phase and the most massive and extensive party rectification since 1983. It is an important link in fulfilling party rectification work in an all-round way. Only when we consolidate and build well the more than 46,000 party organizations at the grassroots level in the municipality, raise the party members' quality, and fully develop party members' vanguard role, can we truly implement the party's line, principles, and policies at the grassroots level.

All units undergoing party rectification should clearly understand the guiding ideology that party rectification is to promote and insure the reform work, stress improving party conduct, correct mistakes while carrying out party rectification, and accomplish the task of party rectification in an all-round way.

Party rectification in the rural areas should attach importance to the following four points according to the circular issued by the Central Commission for Guiding Party Rectification: It is necessary to raise party members' understanding in the fundamental goals of the party, correctly understand the party's policies of carrying out reform and promoting economic development in the rural areas, strictly handle the serious mistakes committed by a small number of party members, and firmly grasp the building of leading groups. In carrying out party rectification in the rural areas, especially at the village level, we should pay attention to conducting positive education, heightening party members' ideological consciousness, and raising the fighting capability of party organizations. The guidelines of the circular issued by the Central Commission for Guiding Party Rectification in the rural areas are also applicable to enterprises below the county level and basic level party organizations in the urban areas.

Party committees at various levels should strengthen their leadership over party rectification work at the grassroots level, understand the situation, discover all problems, sum up experiences, and give specific guidance. We should closely integrate party rectification with the work of evaluating and adjusting leading groups. We should implement the policy of "being firm and prudent, being sure not to leave out anyone, and refraining from magnifying the contradictions" and firmly grasp the work of checking the "three kinds of

people" from beginning to end. Toward those comrades who have committed mistakes, we should strictly follow the party's policy of "learning from past mistakes to avoid future ones, and curing the sickness to save the patient" in order to insure the healthy development of party rectification work.

The party's basic level organizations are fighting bastions of the party at the grassroots level of the society. In the new historical period we must further strengthen party building at the grassroots level, raise the level of the party's work, and unite and lead the masses to embark on building socialist material and spiritual civilization. We should strengthen education for and control over party members. We should educate party members and cadres to foster the lofty ideals of communism, work hard to promote the building of the four modernizations, enhance their revolutionary sense of responsibility, and develop their vanguard role. We should continue to actively bring more people into the party in a careful manner and pay special attention to admitting outstanding intellectuals and those who work on the frontline of production with good qualifications into the party. We should adhere to the principle of democratic centralism and collective leadership, strengthen party discipline, further normalize the democratic life within the party, improve the situation of a number of units and departments in which "party organization pays little attention to the work of building the party and improving party conduct," and give full play to the role of the party's basic level organizations as fighting bastions.

3. It is necessary to closely adhere to the party's principle on selecting and appointing cadres and to further strengthen the formation of leading bodies.

Making the cadres and the leading bodies revolutionized, younger, well-educated, and professional holds the key to organizationally ensuring the success of socialist modernization and construction. We must correctly understand and implement the principle that requires that cadres be revolutionized, young, educated, and professional. While requiring that cadres be revolutionized, we must also pay attention to their ability and performance in real work and must select and promote those outstanding middle-aged and young cadres whose political orientation conforms with that of the central authorities, and who are hold in reform and enterprising, to leading posts at all levels. We must continue to do a good job in readjusting the leading bodies. For those leading bodies that have undergone major readjustments, we will continue to make partial readjustments to further perfect their overall structure and enhance their management skill and working efficiency.

In selecting and assigning personnel, we must strictly abide by the stipulations prescribed by the CPC Central Committee in a circular on selecting and assigning cadres which stresses fairness and openness in selecting cadres based on their political integrity and ability, and which opposes appointing people based on favoritism. In selecting and appointing leading cadres, we must follow the prescribed procedures to maintain organizational and personnel discipline and must not violate the policy and system by putting one's trusted friends in key positions. In appointing leading cadres, we must wholly adopt the mass line, carry out thoroughgoing investigations, and allow the decisions to be made through collective discussion within the party committee. Decisions should

never be made by a single individual. We must promote and appoint step by step those outstanding comrades who have been tempered through experience. As for those cadres that have been promoted but have been clearly proved to be inept in practice, we must make prompt readjustment. We must strictly prohibit unauthorized addition or expansion of organizations, or unauthorized increases in the number of leading positions, thereby organizationally checking the unhealthy tendency in selecting and appointing cadres.

We must strengthen the management of the cadres contingent and gradually perfect the cadre training, evaluation, and supervision system. To meet the needs of modernization, we must do a good job in the task of educating and training cadres in a planned way and strengthen the continued education for newly appointed leading cadres, thereby continuously enhancing the cadres' political and ideological level as well as their professional ability. We must follow the guidelines of the personal responsibility system in carrying out periodic evaluations of a cadre's integrity, diligence, ability, and performance, and make decisions on reward, punishment, promotion, or demotion based on the results of such an evaluation. Leading cadres at all levels must participate in organizational activities in accordance with the party constitution. Party leading bodies at and above the country or regimental level must periodically participate in democratic activities and carry out criticism and self-criticism. All party members must consciously submit themselves to supervision by party organs, other party members, and the masses. No one has the right to place himself above party and mass supervision.

We must continuously do a good job in the work concerning reserve cadres and promote cooperation and facilitate succession between the new and veteran cadres. To meet future needs, we must take more effective measures to build up a reserve cadre contingent that is sufficiently large, structurally sound, and which meets the requirement that cadres be revolutionized, young, educated, and professional, thereby ensuring sufficient successors to continue the party's cause. At the same time, we must resolutely reform the cadre system step by step to reflect the principle that a cadre must be ready to accept a higher or lower post, to limit the restrictions on hiring personnel, to create a good environment in which outstanding cadres can give full play to their talents, and to provide a system that ensures a continuous supply of talented personnel of various professions and capacity.

We must do a still better job in veteran cadres work. Veteran cadres are an invaluable treasure of the party. On a volunteer basis and taking into consideration the veteran cadre's health, party organs at all levels must create necessary conditions to facilitate continuous contributions by the retired party cadres to the cause of the party and the people. Regarding those retired veteran comrades who are advanced in age and physically very weak, we must show more concern to them to ensure that they live out their old age in happiness and good health. Young comrades must respect veteran cadres and learn from their strengths. Veteran cadres must continuously maintain and carry forward the fine traditions and warmly support the young cadres' work. Both new and veteran cadres should support, unite, and cooperate with each other.

4. Bring into full play the role of legislative, judicial, and administrative organs; consolidate and develop the patriotic united front.

It is necessary to bring into full play the role of people's congresses at various levels as a power organ. Party committees at all levels should support the work of people's congresses, governments, courts, and procuratorates, and ensure that these state power organs exercise the rights stipulated in the Constitution. Party organizations at all levels should carry out their activities within the limits prescribed by the Constitution and the laws, and every Communist Party member should strictly observe policies, laws, and regulations approved by state and local power organs, and strive to fulfill all tasks.

In the new historical period, the united front remains an important talisman of our party. We must resolutely implement the policy of "long-term coexistence and mutual supervision" and the principle of "treating each other with all sincerity and sharing weal or woe," and strengthen our unity and cooperation with all democratic parties, nonparty democrats, minority nationalities, and patriots in religious circles in order to further consolidate and develop the broadest patriotic united front embracing compatriots in Taiwan, Hong Kong, and Macao and patriotic Chinese nationals residing abroad. It is necessary to support the work of all democratic parties, regularly hear briefings on their work, and listen to their opinions and suggestions so that they can contribute their share to the modernization drive and the motherland's reunification cause. It is necessary to lend support to the work of the Chinese People's Political Consultative Conference and make full use of its role in political consultation and democratic supervision.

5. Strengthen the party's leadership, and fully mobilize all positive factors.

It is the common undertaking of the people of the whole municipality to fulfill the Seventh 5-Year Plan, speed up Shanghai's transformation and revitalization, and make greater contributions to our country. We must further carry out the party's policies, mobilize and organize the forces in all quarters, and make the optimal use of all positive factors in jointly striving for the accomplishment of the Seventh 5-Year Plan.

It is necessary to strengthen the leadership over trade unions, CYL organizations, and women's federations. Party organizations at all levels should create the conditions for trade unions to further take part in the management of economic and social affairs, conscientiously introduce the system of congresses of workers and staff members, and step up their democratic management so that they can really become their own masters and work for the transformation and revitalization of Shanghai. The CYL is the party's loyal assistant and reserve force. Party organizations at all levels should, with a communist's breadth of vision and farsightedness, strengthen and improve their leadership over CYL organizations, show concern for the growth and progress of the youth, and teach them to regard the revitalization of the Chinese nation as their own duty and to go to the frontline of production and work to undergo hard training in order to enhance their capability and become pacesetters in reform and economic development. It is necessary to strengthen the work of women's

federations and encourage the large number of women to strive for progress and become the heroines of the 1980's. It is necessary to extensively unfold the "five-good" family activity, mobilize thousands upon thousands of families to foster new civilized practices, and bring into play the important role of women's federations in protecting and educating women and children.

It is also necessary to strengthen the party's leadership over scientific and technological associations, federations of social sciences, federations of literary and art circles, federations of returned Overseas Chinese, federations of Taiwan compatriots, and federations of industry and commerce, and fully utilize their advantages in the modernization drive.

PLA units stationed in Shanghai, the Shanghai Municipal People's Armed Police Corps, and the vast number of militiamen constitute important forces in building the two civilizations. They have made great contributions to safeguarding and building Shanghai. It is necessary to pay close attention to army building and do a good job in settling army men transferred to civilian jobs, retired, and demobilized servicemen. We should carry forward the fine traditions of supporting the army and giving preferential treatment to families of revolutionary army men and martyrs and of supporting the government and cherishing the people, and build closer relations between the army and the government and between army men and civilians. It is also necessary to intensify militia building and construction of air defense. The people of the municipality should regard the strengthening of national defense and safeguarding of the motherland as their sacred duty.

The tasks of reform and construction remain arduous during the Seventh 5-Year Plan, and new situations and problems will continue to crop up. Party organizations and cadres at all levels should adapt themselves to the demands of the new situation and further improve their leadership method and workstyle. When the development of a situation becomes complicated, we should discuss major issues, understand the overall situation, and properly handle our work in order to skillfully and creatively implement the party's principles and policies in light of the actual situation in each department. It is necessary to advocate systematic and thorough investigation and study, do a good job in formulating macroeconomic policy decisions and microeconomic guidance, and map out scientific policy decisions so that our leadership quality and work efficiency can be further improved.

Comrades, the current domestic political and economic situation is excellent, and the international environment has also provided us favorable conditions for accelerating the modernization drive. Shanghai enjoys exceptional advantages in its geographical location, relatively solid industrial foundations, capabilities to digest and absorb advanced foreign technology, extensive ties with foreign countries, and rich intellectual resources. Under the correct leadership of the party Central Committee and with vigorous support of the people across the country, we will surely be able to overcome difficulties and successfully complete all tasks of the Seventh 5-Year Plan as long as we steadfastly implement the line, principles, and policies formulated by the party Central Committee since the 3d Plenary Session of its 11th Central Committee and make the best use of Shanghai's advantages.

Over 800,000 party members and 12 million people of all nationalities in the municipality must closely unite as one, display the perseverance of the Foolish Old Man, pool the wisdom and efforts of all, and work hard and efficiently in striving to gradually build Shanghai into an open, multifunctional, and highly civilized modern socialist city with rational industrial structure and advanced science and technology, thereby making greater contributions to the nationwide modernization drive.

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CSO: 4006/852

AGGREGATE ECONOMIC DATA

BEIJING COMMUNIQUE ON 1985 ECONOMIC, SOCIAL DEVELOPMENT

SK210035 Beijing BEIJING RIBAO in Chinese 10 Mar 86 p 2

["Statistical communique" on Beijing Municipality's 1985 national economic and social development issued by the Beijing Municipal Statistical Bureau--date not given]

[Text] In 1985 the people throughout the municipality, under the leadership of the Beijing Municipal CPC Committee and Government, strived to reform the economic structure and open to the outside world successfully, continued to implement the four instructions of the Secretariat of the CPC Central Committee on the policies concerning the construction of the capital, carried out the guidelines of the written reply of the CPC Central Committee and the State Council to the "Program of the Overall Planning for Beijing's Urban Construction," enabled the national economy to develop in a sustained, stable, and coordinated manner, achieved great results in both the socialist spiritual and material civilizations, and successfully fulfilled the 1985 plans. Major targets for the national economic and social development as set forth in the Sixth 5-Year Plan were overfulfilled, with many of them being prefulfilled in 1984. According to initial statistics, total social product of the year was 45.5 billion yuan, up 10.5 percent from the previous year; total industrial and agricultural output value 34.8 billion yuan, up 11.4 percent; national income 18.1 billion yuan, up 10.4 percent; and the gross value of domestic production 24.6 billion yuan, up 12 percent. Markets were brisk, and the income of urban and rural residents increased on the basis of continued development of production.

1. Agriculture and the Rural Economy

The suburban areas conscientiously carried out the second step of the rural reform, readjusted the rural production setup while not slackening grain production, developed the rural cooperative economy, and gradually moved to the track of undertaking farming, forestry, animal husbandry, fisheries and sideline production and developing industry, commerce, building trade, transportation, and service trade in an all-round manner. Fourteen suburban counties doubled their gross industrial and agricultural output value in 5 years. Total rural product of the year was 8.38 billion yuan, an increase of 26.7 percent over the previous year. The proportion of nonagricultural production, including rural industry, building trade, commerce, and transportation, rose

from 66.5 percent of the previous year to 69.6 percent. The total agricultural output value was 4.07 billion yuan, up 19.7 percent from the previous year. Deducting the output value created by the industrial enterprises run by villages (brigades), it was 1.98 billion yuan, an increase of 7.1 percent. In the total output value of agriculture, that of animal husbandry and fisheries showed a slight increase, from 33.4 percent in the previous year to 33.9 percent.

Despite the decrease in grain growing areas by 12,000 hectares, grain output again reached an all-time high, totaling 2.197 million tons, 23,000 tons more than in the previous year.

The output of nonstaple foods, including fresh eggs, milk, and fresh-water fishes, showed a substantial increase over the previous year. Vegetable output declined from the previous year.

Output of major nonstaple foods is listed as follows:

	<u>1985 actual output</u>	<u>1985 versus 1984 percentage</u>
fresh eggs	141,000 tons	115.3
milk	135,000 tons	107.2
aquatic products (including fish, shrimp)	16,000 tons	158.0
pork, beef, mutton	135,000 tons	101.3
vegetables	2.04 million tons	93.6
watermelons	253,000 tons	127.2

In the whole year 29,700 hectares of areas were afforested, and 19.99 million trees were planted along roads and rivers, and around houses and villages. Both afforestation and tree planting plans were overfulfilled, and new progress was achieved in the 13 key afforested areas attended to by the municipality, and districts and counties.

Township enterprises continued to develop by a fairly large margin. The number of the enterprises reached 16,000 by the year end, and their employees 750,000. Their annual gross income was 5.1 billion yuan, and profits 950 million yuan, increasing by 36 and 33 percent, respectively, over the previous year.

In the rural commodity production, monopolized purchase and guaranteed marketing which had been carried out for many years were changed into market regulations under plan guidance. Peasants entered the circulation channels, and promoted the reform of the circulation system. By the end of the year rural production units had established direct production-marketing links with more than 1,800 urban consumption units and retail outlets, providing them with nonstaple foods worth 230 million yuan. Eight vegetable wholesale markets and 59 vegetable distribution centers were established on the outskirts. Transactions of urban and rural fairs totaled 340 million yuan, 1.3 times over the previous year.

The number of farm machines and the consumption of electricity scored a greater increase. By the end of 1985, the capability of farm machines in the municipality reached 4.353 horse power, a 10 percent increase over the 1984 figure. The number of large and medium-sized tractors reached 11,000 a 4.2 percent increase over the 1984 figure; that of small and hand-supporting tractors reached 35,000, a 26.3 percent increase over the 1984 figure; and that of freight trucks reached 10,000, a 33 percent increase over the 1984 figure. The capability of machines installed on the irrigation systems reached 950,000 horse power, equivalent to the 1984 figure. The power consumption in rural areas reached 1.27 billion KWH, a [word indistinct] increase over the 1984 figure.

2. Industry

While conducting reforms in various fields on the basis of enlivening themselves, the industrial enterprises scored a steady increase in production, achieved harmonious development between light and heavy industries, and made marked improvement in economic results.

In 1985 the municipality realized 30.73 billion yuan in total industrial output value, a 10.4 percent increase over the 1984 figure, surpassing the 30-billion-yuan and 8-percent increase target fixed at the beginning of 1985. The village-run (or production team-run) industrial setups realized 32.82 billion yuan of output value, a 10.6 percent increase over the 1984 figure. Of this output value, those of local industrial setups reached 24.57 billion yuan, an 11.5 percent increase over the 1984 figure; those of light industrial setups, 13.4 billion yuan, an 8 percent increase over the 1984 figure; and those of heavy industrial setups, 17.33 billion yuan, a 12 percent increase over the 1984 figure. Of the output of 25 products covered by the mandatory plan, 21 products overfulfilled their plans. Of the output of 75 products covered by the plan guidance, 46 products scored an increase over the 1984 figure.

	<u>1985 actual output</u>	<u>1985 versus 1984 percentage</u>
cloth	256,060 meters	93.9
woolen piece goods	14.039 million meters	99.0
knitting wool	8,838 tons	108.7
television sets	748,000	126.6
of which		
color sets	382,000	350
household electric fans	115,000	120.8
household refrigerators	161,000	156.7
marketable furnitures	2.923 million	107.2
beer	134,000 tons	104.7
raw coal	8,899 million tons	100.6
electricity	10.33 billion KWH	99.4
processed crude oil	5.895 million tons	100
steel	2.684 million tons	110.8
rolled steel	2.213 million tons	110.6
LPG	177,000 tons	113.2
plastics	343,000 tons	103.2
synthetic rubber	486,290 tons	101.9
motor vehicles	49,402	137.6
hand-supported tractors	12,500	104.2
cement	2.898 tons	101.8

The municipality scored new achievements in creating fine-quality products among daily products consumed by the masses, showed an increase in the number of fine-quality and famous-trademark products, and brought a change to the low trend of product quality, which began at the beginning of 1985. In 1985, 45 products won the national fine-quality prize, 111 products were appraised as fine quality products by the ministerial authorities, and 354 products were appraised as fine quality products by the municipal authorities.

Economic results scored market improvement. The industrial enterprises covered by the local budget showed a 9.4 percent increase in total output value, a 16 percent increase in incomes earned from sales, and a 16.9 percent increase in profits and taxes. They achieved a simultaneous increase in both production speed and economic returns. The period of capital turnover reached 103 days which was, 6.6-percent faster than that of 1984. The rate of profits and taxes in every 100-yuan capital reached 41.7 percent, a 3.6 percent increase over the 1984 figure. The 16 municipal-level industrial general companies (bureaus) comprehensively saw their energy consumption declining by 4.9 tons of standard fuel, a 7.7 percent decrease over the 1984 figure. They comprehensively saved 217 tons of water in every 10,000-yuan output value, a 15.2 percent decrease over the 1984 figure.

3. Investment in Fixed Assets and Building Trade

The total investment in fixed assets came to 7.78 billion yuan in 1985, an increase of 49 percent over the previous year. Due to the application of the measures for controlling the scale of capital construction in the latter half of 1985, the investment in fixed assets in this period showed an increase of only 45.5 percent over the same period of last year, which was lower than the 64.4 percent increase in the first 6 months of 1985. Of the total investment in fixed assets in 1985, the investment in capital construction was 5.42 billion yuan, an increase of 50.1 percent over 1984; and the investment in technological items was 2.36 billion yuan, an increase of 46.6 percent. Of the investment in capital construction, the investment in local projects was 2.19 billion yuan an increase of 46 percent over the previous year.

The investment in urban infrastructural facilities, industry, commerce, and trade increased by a big margin. The investment in different major trades was as follows:

	<u>1985 actual figure</u>	<u>1985 versus 1984 percentage</u>
urban infrastructural facilities	1.1 billion yuan	154.2
industry	2.79 billion yuan	153.8
railway and civil aviation	110 million yuan	110.9
agriculture and forestry, water conservancy, and meteorology	160 million yuan	113.9

A total of 657 capital construction projects were completed and went into operation in the year, accounting for 30.1 percent of the total construction projects. Of the 74 large and medium-sized constructions projects and key

state projects which started construction in 1985, 22 projects whose construction pace was to be checked as planned had reached the planned construction pace.

Housing projects covering 28.03 million square meters of floor space were under construction in the year, an increase of 19.1 percent over the previous year. A total of 8.92 million square meters of housing projects were completed, an increase of 8.9 percent. Of this, housing residences accounted for 4.756 million square meters of floor space, 556,000 square meters of floor space over the previous year.

4. Urban Construction and Urban Management

The pace of the construction of the urban infrastructural facilities was quickened. The outlook of the capital continuously improved. The total investment in urban infrastructural facilities reached 1.1 billion yuan in the whole year.

A group of key projects were completed and went into operation in succession. The construction of Anzhen, Madian, and Xueyuanlu overpasses on Xibeisanhuan Road were completed ahead of schedule. The Taincunshan water supply plant with a daily supply capacity of 170,000 tons of water formally went into operation on 23 June. The project for diverting natural gas from the Huabei Oilfield to Beijing with a daily capacity of 400,000 cubic meters was basically complete and went into operation. The first-stage project of the Xuojiashuang heating supply plant began to supply heat by feeding into a power grid.

Further progress was made in public utility projects. The volume of the sales of tap water was 460 million tons, an increase of 4.5 percent over the previous year. Of this, water consumption in the people's daily lives was 280 million tons, an increase of 7.7 percent. The municipality's electricity consumption for administrative and daily use in 1985 was 2.22 billion KWH, an increase of 20.3 percent. The number of households that used coal gas through pipelines increased to 60,000. By the end of 1985, the number of households that used coal gas and LPG gas through pipelines reached 1.022 million, an increase of 5.5 percent over the previous year. The number of streetcars and buses (including subway trains) reached 4,640 by the end of 1985, an increase of 410 over the previous year. The volume of passenger transportation reached 3.37 billion persons, an increase of 4 percent over the previous year. Faster progress was made in taxis. By the end of 1985, the municipality had 12,000 taxis, an increase of 130 percent over 1984. The total length of roads in the urban areas of the municipality reached 2,979 km, an increase of 51 km over the previous year.

Certain progress was made in beautifying the urban areas and making the urban areas green. A total of 1.308 million square meters of lawns were grown in the whole year, an increase of 58,000 square meters over the previous year. A total of 1.41 million trees were planted in the whole year. The Daguan yuan Park, a key project was partially completed and opened to the public.

New progress was made in environmental improvement. Comprehensive environmental improvements were made in six scenic spots, including Shizhahai Park. Such two low-noise areas as Changqiao and Longtan were built. Residences with central heating system covering an area of 2.38 million square meters were developed. Thus, 260 boilers and 8,057 small coal stoves were left unused. Air pollution was alleviated. Devices for indicating air pollution and noise were installed at Qianmeng, art galleries, and Sidaokou. A total of 111 factories and workshops that caused air and noise pollution were forced to improve their environmental conditions, to move to other places, and to change or convert their production.

5. Transportation, Post and Telecommunications

The municipality fulfilled its tasks to a better extent in communications and transportation undertakings and scored very fast development in such undertakings.

The volume of passengers transported on railways was 53.9 million persons, a 5 percent increase over the 1984 figure. The volume of freight transported on railways was 43.976 million tons, equal to the 1984 figure. The per-day capability of freight locomotives reached 862,000 ton-kilometers, a 5 percent increase over the 1984 figure.

The volume of passengers transported on highways was 29.86 million persons, a 9.2 percent increase over the 1984 figure. The volume of highway passenger transportation was 1.09 billion person-kilometers, a 4.4 percent decrease over the 1984 figure. The volume of freight transported on highways was 46.61 million tons, a 2.1 percent decrease over the 1984 figure. The volume of highway freight transportation was 1 billion ton-kilometers, a 4.1 percent increase over the 1984 figure.

The volume of passengers and freight transported by civil aviation planes scored a large increase. The volume of passengers transported by planes was 1.471 million persons, a 34.8 percent increase over the 1984 figure. The volume of freight transported by plane was 49,000 tons, a 52 percent increase over the 1984 figure.

The municipality achieved greater development in post and telecommunications business reached 220 million yuan, a 20.5 percent increase over the 1984 figure. The post offices delivered 260 million letters and parcels, a 20.3 percent increase over the 1984 figure. The municipality handled 7.948 million telegrams, a 29.4 percent increase over the 1984 figure, and issued 13.118 million bills for long-distance calls, a 25.3 percent increase over the 1984 figure. The telecommunication undertakings developed very rapidly, and the municipality newly built or expanded 21 telephone bureaus, newly set up telephone exchange boards accommodating 45,000 lines, and expanded the number of households with telephones to 135,000, a 12,000-household increase over the 1984 figure.

6. Commerce

Markets in both the urban and rural areas were prosperous and enjoyed brisk sales. The gross retail sales of social commodities reached 12.79 billion yuan, a 25.7 percent increase over the 1984 figure.

Of the gross retail sales, consumer goods sold to residents showed a 28.2 percent increase over the 1984 figure; those sold to the institutions showed a 17.1 percent increase over the 1984 figure; and those sold as means of agricultural production showed a 3.2 percent decrease over the 1984 figure. The work to bring the increase of institutional purchasing under control scored marked achievements. The municipality has slowed the increase in this regard quarter after quarter. The increase of the fourth quarter showed a 3.3 percent decrease over the figure for the corresponding 1984 period. Of the retail sales of consumer goods, those of foodstuffs reached 4.44 billion yuan, a 19.4 percent increase over the 1984 figure; those of clothes and garments, 2.14 billion yuan, a 19.1 percent increase over the 1984 figure; and those of daily necessities, 5.03 billion yuan, a 36 percent increase over the 1984 figure. The proportion of daily necessities in the retail sales of consumer goods increased from 39.2 percent in 1984 to 42.3 percent in 1985.

Under the impetus of the drive to conduct reforms in economic systems, the commercial departments actively opened new channels of importing goods and showed a marked increase in commodity sources. Their total purchase value in 1985 reached 18.6 billion yuan, an 18.9 percent increase over the 1984 figure. Of this purchase value, those of purchases from outside places showed a 25.5 percent increase over the 1984 figure and those from the municipality, an 8.8 percent increase over the 1984 figure. The proportion of purchases from outside places in the total purchase value increased from 40.5 percent in 1984 to 42.7 percent in 1985.

The construction of commercial and service networks and centers achieved very fast development. The municipality newly established 24,000 commercial and service networks and centers, 10,000 centers more and 140 percent increase over the figure set at the beginning of 1985. Of these networks and centers, those run by collectives reached 5,289 and those run by individuals reached 12,000 households. The municipality newly built 375 farm produce markets (including small-stall districts).

7. Foreign Trade, Economic Relations, and Tourism

The gross value of exports reached \$620 million, overfulfilling the annual plan by 5 percent and showing a \$10,000 increase over the 1984 figure.

The municipality signed contracts with foreign firms with regard to 400 items of utilizing foreign funds and introducing outside technology, which were worth \$1.2 billion, a more than 100 percent increase over the 1984 figure. Of these contracts, those for introducing advanced technology reached 325 items worth \$320 million, a 9.6 percent increase over the 1984 figure.

Tourism undertakings achieved very fast development. By the end of 1985, the municipality built 63 tourist hotels with 16,000 bedrooms and 32,000 beds, a 5,000-bed increase over the 1984 figure. In 1985 the municipality received 937,000 tourists, a 42.5 percent increase over the 1984 figure. The incomes earned from tourism reached 940 million yuan, a 75.7 percent increase over the 1984 figure.

8. Science, Education, and Culture

Initial results were achieved in the reform of scientific and technological system, many scientific and technical achievements were scored, and remarkable benefits were gained from these achievements. Scientific research departments at all levels throughout the municipality scored 2,400 scientific research results, of which, 1,800--75 percent--were popularized and applied to production. Of these 1,800 results, 65 were achieved by the municipal-level scientific research institutes, of which, 56 were applied to production, accounting for 86 percent of the total. Some 70 scientific and technical research results won prizes from the state for invention and scientific and technical progress. All the 80 independently run scientific research institutes subordinate to the municipality carried out the reform, which mobilized the initiative of their scientific and technical personnel. Compared to the previous year, scientific and technical achievements increased by 18 percent, the transfer of scientific and technical findings increased by 55 percent, and the income from technological services increased by 330 percent. A total of 3,200 scientific research findings achieved by 245 scientific research institutes in the municipality participated in trade fairs, and the business volume from the dealings of these results ranked second among various provinces, municipalities, and departments throughout the country.

At the end of 1985, the province had 62 higher learning institutions, 4 more than the previous year (including the integrated university composed of the 9 university branches). These higher learning institutions had a total student enrollment of 120,000, a 31.2-percent increase over the previous year. There were 6 university branches in the province, which had a total student enrollment of 2,870. Higher learning institutions and scientific research institutes throughout the municipality enrolled 8,300 post-graduates, a 78.6-percent increase over the previous year. At the end of 1985 there were 116 secondary specialized schools, 3 more than in 1984. There were 39,000 students in these schools, a 24.2-percent increase over the previous year. These were 158 skilled worker schools, which had a total of 18,000 students, a 10.6-percent increase over the previous year. Results were achieved in restructuring of secondary education. The number of students studying in vocational (agricultural) middle schools, and in those regular middle schools which offered vocational (agricultural) classes came to 40,000, a 55.7-percent increase over the previous year, and was a record year. The ratio between the enrollment of regular senior middle schools and that of secondary specialized schools, skilled worker schools and vocational (agricultural) middle schools increased from 1 to 0.7 in 1984 to 1 to 1.3 in 1985. There were 542,000 students studying in regular middle schools, 22,000 more than in 1984. Primary school education was popularized. There were 734,000 pupils in primary schools, 30,000 fewer than in 1984. Sparetime higher learning institutions (including TV courses,

evening schools and colleges for workers and staff members) enrolled 104,000 students in 1985, a 48.6-percent increase over 1984. Adult secondary specialized schools and TV secondary specialized schools had a total of 60,000 students, a 36.4-percent increase over 1984.

There were 5,011 kindergartens and child-care centers in the municipality. A total of 286,000 children attended kindergartens, and 90,000 babies were cared for by child-care centers, 376,000 in total, 15,000 more than in 1984. The number of child-care centers run by families developed to 12,000, which took care of 22,000 babies.

9. Public Health and Sports

Medical and sanitary conditions for the people of the municipality have been improved continually. At the end of 1985 there were 4,248 medical and public health organs. There were 376 urban and rural hospitals, equal to that in 1984; and 3,659 clinics, 123 more than in 1984. There were 38,000 hospital beds throughout the municipality, 4,000 more than in 1984. Professional health workers numbered 91,000, 1,500 more than that at the beginning of 1985. The total included 3,700 physicians in traditional Chinese medicine and 26,500 physicians trained in Western medicine.

In 1985 the municipality's athletes won 96 gold medals, 79 silver medals and 91 bronze medals at international and domestic sports events. Mass sports activities were launched vigorously. Some 1 million people in the municipality participated in long-distance races, and 500,000 people practiced taidiquan.

10. Living Standards

Wage reform was initiated smoothly, government organs and institutions set structural ratios for wages, and enterprises carried out wage reform. Some 3.33 million workers and staff members throughout the municipality had their wages increased. Living standards of the people were improved further. At the end of 1985, there were 3,823 workers and staff members throughout the municipality, 69,000 more than that at the beginning of 1985. The annual wages of workers and staff members in 1985 totaled 5.07 billion yuan, a 25.7-percent increase over the previous year. Of this, bonuses (including wages paid for above-quota piece work) came to 1.19 billion yuan, a 36.8-percent increase over the previous year. The average annual cash wage for workers and staff members was 1,343 yuan. The actual increase in workers' wages stood at 11.4 percent when the cost of living increase was factored in. According to a survey on 1,000 urban households, the average annual per-capita net cash income of the urban households was 1,000 yuan, 241 yuan more than that of 1984. The per-capita living expenses of the households of workers and staff was 923 yuan, 275 yuan more than that of 1984. The number of family members (not including those retired) economically supported by each employee dropped from 1.59 persons in 1984 to 1.53 persons. Every 100 households had 112.9 television sets, 18.4 television sets more than that of 1984; 71.2 tape recorders, 19.7 tape recorders more than that of 1984; 57.5 washing machines, 15.2 washing machines more than that of 1984; and 41.9 refrigerators, 26.6 refrigerators more than that of 1984. Continuous improvements were made in

the urban residential construction. The per capita living space of the urban residents was 6.18 square meters of floor space, an increase of 0.26 square meters of floor space.

The income of the peasants continued to increase. According to a survey of rural households, the average annual net income of the rural households was 770 yuan, an increase of 106 yuan over 1984. Of this, the net income from production was 686 yuan, an increase of 85 yuan. The per capita living expenses was 509 yuan, an increase of 74 yuan over 1984. Every 100 rural households had 60 television sets, 3 television sets more than that of 1984; 19 tape recorders, 5 tape recorders more than that of 1984; 23 washing machines, 9 washing machines more than that of 1984; and 31 electric fans, 3 electric fans more than that of 1984.

The suburbs, village, and town construction plans were basically fulfilled. The municipality, districts, counties, and townships decided to carry out the construction plans on a trial basis among 236 villages and towns. So far, 2,238 residential buildings for the peasants and 205 public buildings, covering an area of 367,000 square meters of floor space, have been completed in the suburban areas. The per capita living space of the peasants was 16.24 square meters of floor space, an increase of 2.6 square meters of floor space thanks to the increase in the construction of houses in the rural areas.

Along with the increase of the income of the urban and rural people, bank deposits increased by a large margin. The urban and rural bank deposits came to 5.17 billion yuan at the end of 1985, an increase of 1.3 billion yuan over 1984, setting a record. Bank deposits of the urban people reached 4.22 billion yuan at the end of 1985, an increase of 1.02 billion yuan over the beginning of 1985. Bank deposits of the rural people was 950 million yuan, an increase of 280 million yuan.

11. Public Security

Notable improvement was made in public order through seriously dealing blows to the criminal activities and strengthening the work of comprehensively tackling problems in the public security field. The public security situation is basically on the trend of stabilization.

There were 7,994 traffic accidents in 1985, a drop of 6.8 percent from 1984. The number of people who died from traffic accidents reached 759 persons, 211 persons more than that of last year, showing an increase of 38.5 percent. There were 674 fire accidents in 1985, a drop of 2.6 percent from 1984. A total of 42 people died from fire accidents, a drop of 4 persons from 1984.

12. Population

According to statistics released by the residence registration department, the permanent population at the end of 1985 was 9.579 million, 127,000 persons more than the beginning of 1985. According to a sample survey on population change, the birth rate was 15.45 per thousand, a drop of 1.29 per thousand from 1984; the mortality rate was 5.75 per thousand, a rise of 0.22 per thousand over 1984; and the natural growth rate was 9.7 per thousand, a drop of 1.51 per thousand.

Although the social and economic situation of the municipality was very good in 1985, there were still many problems and difficulties ahead of us. The construction of the urban infrastructural facilities still could not catch up with the demands of the urban construction. The municipality still lagged behind in the development of the tertiary industry. It also failed to basically solve the "several difficulties" in the people's livelihood. The investment in fixed assets was excessively expanded. The capital construction front was overextended. Raw materials and energy resources were still in short supply. Thus, from now on, we should study ways for gradually solving these difficulties.

Note: 1) The total social product is the sum of the total output value of agriculture, industry, the building trade, transportation, post and telecommunications, and commerce. National income is the sum of the net output value of the abovementioned material-producing departments. The total value of domestic production is the value of final products and labor services provided to society by the material production and nonproduction departments of local administrative areas, excluding the value of products and labor services consumed in the course of production.

2) The figures of the total social product, national income, and the total value of domestic production in this communique were calculated in terms of 1985 prices, and the total industrial and agricultural output value was calculated in 1980 constant prices.

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AGGREGATE ECONOMIC DATA

XINJIANG RADIO URGES REDUCED INDUSTRIAL INPUT CONSUMPTION

HK230257 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 22 Mar 86

[Station reporter's commentary: "Achieve Economic Results Through Reducing Material Input Consumption"]

[Excerpts] Over 50 percent of the material input consumption indices in Xinjiang's industrial enterprises showed increases last year compared with 1984. This had a serious impact on the enterprises' economic results. Hence, reducing material consumption and improving economic results is one of the main goals for our enterprises this year.

Material consumption includes raw material, fuel, and electric power. It is the main factor in forming production costs, generally accounting for about 80 percent of these costs. It is evident that material consumption plays a decisive role in an enterprise's economic results. However, for a long time many of our enterprises have been unable to understand this. They just focus their vision on output value and volume and neglect material consumption.

To solve the problem of high material consumption, we must first correct the guiding idea. The leaders must switch their main effort from output value and volume to reduction of material consumption and improvement of quality. Reducing material consumption must be regarded as a major content of enterprise management.

Another important reason for high material input consumption in Xinjiang's enterprises is that in the majority of the enterprises the equipment is old and the technology backward. Hence, there can be no major drop in material consumption unless we improve old equipment, discard backward technology, and take steps to tame coal-eating, oil-eating, and power-eating tigers. We must also improve equipment maintenance and management and promote the comprehensive use of materials.

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CSO: 4006/855

ECONOMIC MANAGEMENT

ARTICLE INVESTIGATES MINING INDUSTRY IN NORTHERN TANGSHAN

Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 85 pp 11-14

[Article by Dong Yizheng [5516 6318 2973]: "We Must Liberalize and Control Well the Mining Industry Operated by the Masses--an Investigation of the Mining Industry Operated by the Masses in the Mountain Areas in Northern Tangshan"--edited by Liu Qichang [0491 0366 2490]]

[Text] A Path to Benefitting the State and Enriching the People

Mining activities of the masses in the mountain areas in northern Tangshan began rapidly after Comrade Yaobang's visit to the area in August last year. At that time, Comrade Yaobang brought guidance thinking of the "simultaneous emergence of the eight industries and trades" which include the mining industry. He clearly pointed out: "The masses should be allowed to freely develop all kinds of small mines." Comrade Yaobang's talk greatly promoted enthusiasms for mining on the part of the masses in mountain areas. Prior to this, of the three counties of Zunhua, Qianan and Qianxi, only Zunhua had a small ore dressing plant with an annual production capacity of 20,000 tons of iron concentrate powder and several relevant mining spots. But during the short period of only 1 year from August last year to August this year, over 200 mining spots operated by the masses have been established and 27 small ore dressing plants with an annual dressing capacity each of 50,000 to 200,000 tons put into operation, and before the end of the year, 13 more ore dressing plants are anticipated to go on line. It is estimated that by the end of this year there will be a gross ore dressing capacity of 3.24 million tons and a production capacity of 1.25 million tons of iron concentrate powder. This year, the production capacity of iron concentrate powder will be 300,000 tons; next year, it will be increased to 0.8-1.0 million tons. The grade of content of the concentrate will generally be 65 percent and above. The construction of these small dressing plants cost 52 million yuan altogether. Although their equipment still needs to be improved, it may be said they have the necessary conditions for production. This speed of development and this kind of benefits obtained cannot be matched by any large or medium-sized mine.

Development of mines operated by the masses has given new vitality to the iron and steel industry. This is especially obvious in the Tangshan region. Although the eastern Hebei region has plentiful mining resources, the development of large mines requires larger investments and the construction period is also

rather long. As a result, it had been hoped that the ore for the 1,200 cubic meter blast furnace now under construction at the Tangshan Steel Plant would be supplied locally, but the realization of this hope had always been in doubt. Now the development of mining by the masses is expected to fill the gap of some 480,000 tons of concentrate needed. Moreover, preparations should be made. The blast furnace was originally scheduled to go into production in 1988. Now supplies from the mining activities of the masses will be on hand next year. Thus, a new situation where operation of the mines is forcing the early completion of the blast furnace has evolved. The nearby Xuanhua Steel Plant early in the year had still planned for the importation of some 200,000 tons of iron ore. Following the development of the mining operations of the masses, the plant no longer requires the importation of ore.

Mining activities of the masses have linked superiority in resources with superiority in local labor, converted potential resources into real economic strength, led local economic development and discovered a road to enrichment of the people in mountain areas. It is true that only a year has elapsed since the masses began mining activities in these areas, but startling changes have already occurred. Certain backward places have begun to throw off their state of poverty, places which already had a fairly comfortable standard of living have bettered their living conditions, while relatively wealthy villages are seeing increasingly prosperous days. Take for example Huazhuang village of Xiaguanying township of Qianan county. Here, iron ore is mostly found on the earth surface, not buried deep in the ground. In the past, peasants used the ore stones to build walls and houses and hardly put them to other use, resulting in the irony of sitting on a treasure chest while living in poverty, and the village became famous as "poor Huazhuang village." Last year, per capita income in the village was less than 200 yuan, and, among the 400 plus village households, there were only three or four television sets. But now, that small ore dressing plants have been established and with nearly 50 percent of the households taking part in mining ore, dressing ore, or transporting ore, the general standard of living has markedly improved. It is estimated that this year per capita income in the village will double that of last year. At present, many new houses have been built, more flour and rice are consumed, and more households own television sets. Formerly, in Daliuzhuang township of Zunhua county, of its 23 villages only three had organized a small number of households to take part in mining work and procure ore for the only small ore dressing plant in the county. But now, 19 have set up small ore mining fields. Indeed, the rise of one industry has spearheaded the rise of a hundred other industries. Mining development has directly led to the greater development of transport, the construction business and agriculture, forestry, animal husbandry and subsidiary trades. Despite the transfer of a sizable portion of labor to mining, the per unit area yield of grain of 740 jin last year is anticipated to go up to 900 jin this year because of increased investment in agriculture; delivery of pigs to the upper levels is also expected to increase from 3,763 head last year to about 5,000 head; and the increase in the delivery of dairy and meat cattle is expected to be from 130 head to 382 head. In addition, the villages have spent 260,000 yuan on planting 267,000 hawthorn trees and 17,400 improved variety apple trees. The home village sand towns have also build flour mills and animal-feed plants and increased their expenses on education.

Correct Policies and Valuable Experiences

Objectively speaking, the ability of mass mining activities in the Tangshan region to develop in such a healthy and rapid manner may be ascribed to the region's richly-endowed natural resources: large ore deposits which are buried not too deep in the ground and comprise mostly of easily mined magnetite; the state's readjustment of the price of ore concentrate of powder enabling the masses to find a lucrative trade in mining; and very strong support given by banks at various levels in the form of loans: as of last year, of the investment of 52 million yuan roughly 60 percent consisted of bank loans. But what is more important is the genuine efforts made by villages to carry out the central government's guideline calling for "extensive development of large mines, scattered development for small mines, and missing no opportunities."

First of all, in ideology a new understanding has been gained and in action a new breakthrough has been made. The iron mines in the mountain areas in northern part of Tangshan have good conditions in resources. Qianan County is well-known as "Iron Qianan." Back in 1958, the peasants did go to the mountains to do mining work, but due to faulty guidelines and faulty methods, they suffered heavy losses and reaped scarce results. This time, following the central government's advocacy of "scattered development of small mines," and particularly after the visit made by Comrade Yaobang, the Tangshan Municipality CPC Committee, on the basis of thorough investigation and research, has advocated the guideline of "opening on three fronts (namely, the mountain areas, coastal areas and the central areas), simultaneously developing the eight industries and trades, suiting measures to local conditions and making major breakthroughs." It selected mining development as the breakthrough point to attain affluence on the mountain area front. Once ideology has left the conventions of pure agricultural economy, vast changes have been made in actions. Against the doubts of certain rural cadres and people who fear changes in the state policies and not dare to go into mining; fear that mining requires large investments but produce slow results and involves huge risks and hence are not willing to go into mining; and are afraid of the complex nature of mining techniques and the high technology required and feel unable to go into mining due to the lack of the needed technology, the committee has attempted to remove such fears by resorting to propaganda and education on the one hand and citing exemplary cases in illustration on the other. In Pailoukou village of Santunying township, Qianxi county, the terrain is hilly, there is little flat land and the quality of the soil is poor. In 1983, the per capita income of its residents was only 200 yuan. In 1984, the township dispatched people outside three times to study mining experiences. It simply and thriftily established the county's first ore dressing plant with an annual ore dressing capacity of 50,000 tons. By means of local subscriptions and state loans, a sum of 170,000 yuan was spent on the undertaking and in only 2 months' time the whole investment was recovered. Emphasizing this as an exemplary model, the county organized relevant rural cadres and populace to make an on-the-spot survey and thus managed to remove their doubts and fears. Formerly, nobody cared about developing the mines in this county, but now a production capacity of 480,000 tons of ore concentrate has been formed and the output of concentrate powder is expected to be over 100,000 tons this year. Last year, the county's gross output value of industry and agriculture was 120 million yuan of which the output value of in-

dustry was about 40 million yuan. This year the output value of agriculture is basically [the] same as last year but the output value of industry is expected to be about 50 million yuan. It is anticipated that next year the output value of industry will reach 80 million yuan, being 50 percent of the gross output value of industry and agriculture. Operation of the mining industry by the masses has truly become a breakthrough point leading the whole county to wealth and affluence.

Second, we must strengthen leadership. Enforcing control by the county ensures the performances of a good job in mass mining. Each and every one of these three counties has already set up around 10 small ore dressing plants. A small number of them are jointly operated by the country, township and village while the majority are operated by the township or the village. It can be seen that without making unified arrangements ahead, confusion will reign, not only affecting the construction speed and the display of the investment results but also resulting in a situation of the parties fighting over resources and wasting resources. Hence from the start of the mining process, they set up a command headquarters with a leadership comrade of the county CPC committee and country government taking unified charge of the construction affairs, and stipulated that no small ore dressing plant can be established without ore resources having been guaranteed available for at least 10 years and that in areas known to have resources only one small ore dressing plant should be set up within an area of 10 li, thereby avoiding redundant construction or blind building. The construction of each and every small mine must first go through a survey of the conditions of the resources and a mining program must be prepared for submission before the relevant department will issue a mining permit and the industrial and commercial department, a business license. Only with these two permits will the public safety department provide the necessary training for blasting work and the explosives. In the course of construction, the problems of seeking the relevant departments of the county to supply electric power, water, transport facilities, building workers and so forth will be left to the county which will make the overall arrangements, thus avoiding needless disputes and delays and speeding up construction. All these counties have established mining companies and mining management offices or stations in townships or districts which have a relatively large number of small mines. The purposes are to strengthen trade control, render good technical services, train personnel, organize in a unified manner the marketing and transport of iron concentrate powder, help solve the difficult problems of the masses in mining work, and help the mines improve their economic benefits. Facts have proven that in respect of mining by the masses it is necessary on the one hand to liberalize and, on the other hand to manage well and that emphasizing this situation of letting the county take charge can achieve the proper extent of liberalization and control. It will speed up development of small mines and will not damage or destroy mining resources.

Third, as for the guideline for mining, we must insist on taking a scientific attitude, seek truth from facts, and work out a path suited to the special features of mass mining activities. In the construction of large and medium-sized mines, because of the rather long construction period, the usual procedure is ϕ to take up ore mining in the mines first; but the practice in Tangshan is to start with building the ore dressing plant first as the guideline advocated by the municipal CPC Committee is "to use dressing to promote mining, to use mining to ensure dressing, and to make the two fit each other."

This is because despite plentiful resources, the grade of ore is low, having an iron content of only a little over 30 percent and not qualified for use except through ore dressing. As for the mining process, since most of the ore lies on the earth surface, hand picking can serve the purpose even in the initial stage. As for the problem of building ore dressing plants, the guideline adopted is integration of medium-sized and small plants but emphasizing small plants and integration of native and foreign methods, using whichever applicable, and gradually moving toward perfection. At first glance, it creates concern over whether the 1958 occurrences might be repeated. But a visit to the mines will reveal that the industrial design, technology and equipment in use are mostly "foreign," and that the native aspects are in regard to the plant buildings and certain supplementary links and procedures only. For example, tents are used in lieu of plant buildings; in winter, stoves are used in lieu of modern air conditioners, manual labor is used in ore feeding, and a precipitating tank is used in place of a modern filter machine. To quote their words, this is like: "Getting on the horse first, fixing the saddle later, and, after galloping for a short distant, applying the whip." In reality, this is manifestation of the spirit of creating an enterprise in difficulty and working simply and thriftily. By so doing, it is possible to more quickly display the investment benefits and accumulate capital funds in a "snowballing" manner. In course of construction, a scientific attitude is insisted upon. All the projects have gone through the ore dressing tests, all are accompanied by designs and drawings, and all have passed the feasibility test to a definite extent. Because the localities are more versed on the dressing techniques of magnetite and due to the relative small scale of the projects, the construction procedure of large mines cannot be exactly followed and the great majority of the industrial design plans of the ore dressing plants are drafted by the planning personnel of the Malanzhuang mine, the Shirenkou mine, and the city metallurgical company. Facts have shown that these plans have all passed the tests of actual practice, and their other merits are short planning time, low investment estimates, small charges, aiming at real benefits, and generally welcomed by the populace.

Fourth, old mines should lead new mines, large mines should lead small mines; they should help and promote each other and develop jointly. In the Tangshan region, there are few old mines. Outside the Capital Steel Mining Corporation located in Qianan County, there are only the Zunhua Shirenkou Mine which is subordinate to the province, and the Qianan Malanzhuang Mine, which is subordinate to the city. But they all have rendered strong support to the construction of the small mines, helping the latter in locating resources, examining the feasibility of projects, installing equipment, training technical backbone personnel, and so forth. In particular, in regard to the Malanzhuang Mine, several members of the county CPC Committee, leaders of the county government and employees of the various small mines all have praised their good workstyle and asked that their merits be duly recorded. This mine, which went on line in 1972, has a production capacity of only 150,000 tons of ore, and a staff of 700 people of whom only some 300 workers are in the mining and dressing workshops. The size of its staff is about [the] same as that of a newly established mine of the same type. It has only 24 technicians, but it has taken on the job of rendering aid to small plants as its own obligation. It has taken part in the surveying, planning, installing and testing tasks of 12 small ore dressing plants, being able to produce a full set of design drawings generally

within 2 months' time. According to the state's regulations, the planning charges should be 2 percent of the construction investments, but it has made only a symbolic charge of 500-1,000 yuan. In addition, it has helped the various small ore dressing plants to train over 150 technicians, examiners and general management personnel. If a small mine can take up so much work and if all the large mines can follow its example and perform their role, then there will be a big change in the appearance of mining work of the masses and the help rendered will all the more be welcomed. In aiding the small mines, the old mines themselves have also been benefitted by aid from the localities. Last year, the Malanzhuang Mine undertook expansion work and needed the requisition of a dozen mu of land. The village and district concerned all gladly helped and while the requisition report was on the way to the upper level, lease of the land was forthwith granted and construction started. At present, even though confirmation of the request has not been received from above, the project concerned has already been completed, thus saving much valuable time. The mine also built a high-tension power line of a dozen kilometers in length and passing through a dozen villages and three districts. Construction of the project was given green light all the way through and was thus greatly facilitated.

Further "Liberalizing, Invigorating and Managing"

Only a year's time has passed since the emergence of the mining activities of the masses in the Tangshan region and a good start has indeed been made. But much work has yet to be done if sustained, stable and safe production is contemplated. The advocacy of the Tangshan municipality CPC Committee is that next year stress will be laid on the upper and lower levels working toward "perfecting work in closing up gaps, consolidating and improving," particularly doing a good job on the second assignment, namely, "uplifting mining to ensure dressing," and exerting great efforts on emphasizing construction of the mining fields. This assignment will be more difficult than the work of attending to the small ore dressing plants. If it is not done well, there will be no way of completing the first assignment of "using dressing to promote mining." In regard to the small ore dressing plants already established, they should strongly emphasize closing up gaps within the plants, further strengthen management and strive to improve the economic benefits. In addition, they should smooth out the transport lanes, perform a good job in the integration of mining, transporting and marketing, and enable the whole production of iron concentrate powder to be transported to the steel plants concerned.

Judging from Tangshan's experiences, it may be seen that in those areas with relatively better conditions in mining resources, development of the ore mining and dressing businesses of the masses can be faster than originally conceived. During the "Seventh 5-Year Plan" period, the production capacity of the iron ore mining activities of the masses in the localities may possibly double the present basis of 12.16 million tons. Possibly also, there will be an emergence of several counties with an annual production capacity each of one million tons of iron ore. (At present there is only one such county and this is Wuan County of Hebei Province.) To facilitate healthy development of the mining activities of the masses, currently we still need to do much work to further "liberalize, enliven and manage well," laying emphasis on performing a good job in the following lines of work:

First, it is necessary to clearly demarcate the available areas for mining on the basis of ascertaining the location of the resources. If the resources are not first ascertained, liberalization will be aimless and opening mines and building plants will be like groping in the dark. An important reason why the mining activities of the masses in the Tangshan region have progressed so swiftly and reaped such good results is that there has been a relatively clear understanding of the conditions of the resources and this has provided firm ground for the establishment of a number of small magnetitide ore dressing plants. Unfortunately, at present some areas, though still lacking a clear grasp of the condition of resources, have been anxious to set up ore dressing plants; some localities have built ore dressing plants simultaneously with the locating of resources; while still other regions, based merely on past reports of the masses on the mine resources and their estimates of the ore deposits, have rashly gone ahead with the setting up of plants. All this has resulted in much waste. We must learn in earnest from the lessons gained.

On the basis of gaining a clear knowledge of the resources, it is still necessary to do a good job in resource demarcation work, to clearly designate and demarcate the mining areas and limites. Since the Tangshan region has plentiful resources which are spread fairly widely and there are more ore body fragments to be found, problems in regard to resources are not serious, but in areas adjoining the state-run large mines, problems do exist. In this connection, two tendencies need to be overcome: one is that state-run large mines are unwilling to give way but insist on claiming the resources as their own; and the other is that cadres of certain localities wrongly interpret the guideline "large mines to be developed in a big way" and even take it to mean that everybody may develop the large mines; they are in a rush to develop large mines already lined up in the state's mining and developing plan but still undeveloped at the moment, pleading that "since you do not develop them, let us do it." As a result, the state's resources are wasted due to the lack of an overall plan. Hence we must first emphasize resources demarcation work in these areas and clearly mark out a portion of the resources for the counties to open up, or for the counties and districts to organize the masses to open up, or adopt the measure of joint operation of the mines by the state and the localities.

Second, it is necessary to help the localities with capital funds, materials and equipment. It is true that not too much capital is required for mining activities by the masses but under the current conditions of the rural villages not being very affluent, depending on the masses alone to raise funds is not sufficient. If the investment of 50 million yuan in the iron ore mining activities of the masses in the Tangshan region, a little over 9 million, or less than 20 percent, were actually raised by the districts, villages and individual peasants. If there had been no support in the form of loans from banks at various levels, the mining activities would not have flourished. From now on, it is still necessary to select a number of regions with relatively good resource conditions and provide them with support in the form of granting them appropriate bank loans. If necessary, we may take out a portion of the capital funds for the building of large mines to loan to those small mines which can produce high results and quick benefits. There must also be relatively stable sources for the supply of materials. For example, at the end of this year, the

scale of ore mining and dressing will match that of the Hanxing Mining Bureau, but there is yet no fixed channel for the supply of steel materials and this will make it difficult to ensure sustained and stable production. At present, certain provinces and regions have observed the practice of returning a proportion (usually 2.5 percent) of steel materials based on their metallic content and it is recommended that this practice be followed by the various regions. Equipment and materials lying idle and discarded in renovation work in the major mines should actively be used in aiding the mining activities of the masses but the price charged should be rational. Various large mines, old mines, construction units and research and planning departments should actively take up the burden of the planning and installation tasks of mines developed by the masses.

The relevant machine-repairing departments should also initiatively accept the tasks of processing accessory parts and of inspection and repair thus making it easier for the masses to undertake mining activities. Universities, specialized institutions of learning, large mines and old mines should all vigorously help small mines in the localities to train various kinds of technicians and management personnel and do a good job in rendering technical advisory services.

Third, we must further strengthen management. In regard to the mining activities of the masses, it is necessary not only to give due consideration to the allocation of resources and support in materials but also to help them in matters of management. Viewed from the country as a whole, there must be an organization which is responsible for such jobs as planning the development of small mines, providing technical guidance, adjusting equipment, relaying and dispatching information and news, training personnel, coordinating supply, and production and marketing relations. At the moment, it is planned to establish a national small mines advisory service company to take charge of these functions. Seen from the localities, particularly the relevant counties, there must be a department for the unified management of small mines, so as to enforce trade subordination. Only when this level of management is stressed, will it be possible for the mining activities of the masses to develop in a healthy manner. And how should trade subordination be attended to? There are two methods: one is in accordance with the nature of the ownership system of the enterprises--subordination to the rural small town enterprise bureau; and the other is in accordance with the nature of the enterprises--subordination to the county mining company. Tangshan city and the nearby three counties have adopted the latter method, and through the county mining company, trade management is strengthened and rendering of various kinds of services is performed well; as for the rural small town enterprise bureau, it is responsible for the compilation of statistics on various targets and various phases of work such as output value and profits. Actual practice has shown that this facilitates promotion of the development of the mining industry of the masses. Inside the mines operated by the masses, it is also necessary to strengthen management and efforts must be devoted to the training of personnel and improving the quality of the staff. Following the development of production, it is still necessary to pay attention to the future as well as the present, to handle the distribution of profits well, and to refrain from minding only the current year's interest, such as dividing and consuming all the profits. It is absolutely necessary to retain a suitable proportion of the profits for maintenance expenses and for the expanded production funds, so that production of the mines can have a sustained and stable development.

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CSO: 4006/786

ECONOMIC MANAGEMENT

MINISTER ON TRANSPORTATION REFORM, URBAN CONSTRUCTION PLAN

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85 p 33

[Interview by Lao Zhang [0525 4545]: "Minister of Communications Qian Yongchang Talks About China's Transportation Reform and Construction Plans for Opened Cities"; date and place of interview not given]

[Text] In a special interview with our correspondent several days ago, Qian Yongchang [6929 3057 2490], China's Minister of Communications and a sea transport expert, said that the situation of China's communications and transportation is excellent, that the structural reform is continuing its in-depth development, that transportation production is steadily increasing, and that the development of communications and transportation in the opened coastal cities is particularly gratifying.

[Question] In the past 2 years, China's communications and transportation have undergone great developments and transportation capacity has been greatly increased. Where have the major changes taken place?

[Answer] There has been sustained growth in transportation in the past 2 years. Continued efforts are being made to study the ongoing reform of the communications and transportation structure. In the areas of management system and production, the following unprecedented changes have taken place:

First, through the reform, we have initially accomplished the separation of government and enterprise functions. The enterprises now have greater decisionmaking power and vitality. They are gradually becoming relatively independent economic entities.

Second, in transportation, the rigid control has become more and more relaxed, and the spectacle of competition among many different units is now appearing. At present, there are 180,000 passenger and cargo vehicles and nearly 230,000 ships for inland water transport, all owned by individuals, and their annual traffic volume amounts to about 3 million tons. China's ocean transport is also operated by many different units instead of being "monopolized." There are now scores of units engaging in ocean transport. Transportation in the Chang Jiang is beginning to flourish. In 1984, cargo traffic in the main course of the Chang Jiang totalled 172.33 million tons, the most ever recorded in China's history.

Third, the situation of infrastructural construction in communications and transportation is excellent, thanks to the participation of the central authorities, the various departments and regions, and many enterprises in the projects. The main engineering project in the building of berths for 10,000-ton vessels in Lanshantou by Shandong Province itself has been completed, and another passenger wharf for 5,000-ton vessels is being built in Shidao. In Zhongshan, Guangdong Province, a number of small and medium-size berths, including those for 5,000-ton vessels, have been completed, and work on a freeway from Shanghai to Jiading has already been started with investment by Shanghai Municipality. The advance work of another freeway between Guangzhou and Shenzhen, built with joint investment by Guangdong and some Hong Kong merchants, is now in progress.

Fourth, in capital construction, the systems of contracted responsibility and public bidding are now commonly used. These systems have helped improve the competence of the enterprises and accelerated the progress of infrastructural construction.

[Question] Please describe the initial plan of construction for the opened coastal cities during the Seventh 5-Year Plan.

[Answer] Our initial plan is that during the Seventh 5-Year Plan, construction in communications and transportation will be more efficiently synchronized with construction in the opened cities in order to meet the requirements for opening to the outside world. At the end of this year, 34 deep-water berths for 10,000-ton or even larger vessels will be completed and put into operation. By that time, there will be 200 deep-water berths in the coastal ports whose traffic handling capacity will reach 317 million tons.

In 1986-1990, according to our estimates, the total traffic handling capacity of China's harbors will be about 500 million tons, including about 400 million tons--80 percent--for the opened cities and the SEZs. On this basis, about 121 deep-water berths will be built for the coastal ports during the Seventh 5-Year Plan, so that by the end of 1990, there will be about 320 such berths, including about 280 for the opened cities and SEZs. At the same time, we will build the Beijing-Tianjin-Tanggu and the Guangzhou-Shenzhen freeways and a number of highways to help clear congestion at the ports, improve a number of inland waterways as feeder lines to the harbor cities, and set up some barge facilities, so as to raise the ratio of highway and waterway transportation in bringing materials to and from the harbors.

[Question] What are the plans for meeting the urgent needs of passenger and cargo transportation between southern China and Hong Kong and Macao and for accelerating the construction of harbors and other infrastructural facilities for transportation?

[Answer] The layout of harbor construction in southern China is now under study. At the mouth of the Zhu Jiang are Huangpu Harbor, Guangzhou Harbor, Chiwan Harbor, and Zhuhai Harbor. Shenzhen City also wants to build a Dapeng Harbor. Now there seems to be a common desire everywhere for the pace of construction to be quickened. The Ministry of Communications is now conducting further investigations and study and will make proper readjustments

to the preliminary plans for communications and construction in the opened coastal cities during the Seventh 5-Year Plan.

[Question] What are the plans for addressing highway and harbor construction problems in Fujian?

[Answer] According to need and to Fujian's situation, ocean transport should be developed vigorously. Fujian has a coastline of more than 3,300 km. There is a fine natural deep-water harbor which can be developed and used to very good advantage. The passenger and cargo traffic in and out of the province is continuing to increase. Its exports include timber, sand, and stones, and its imports include grain, coal and so forth. In the future, the cargoes and materials of some areas in Jiangxi and Hunan may be imported and exported through Fujian. During the Seventh 5-Year Plan, Fujian plans to build 21 large, small, and medium-size berths, including 3 passengers berths, 10 deep-water cargo berths, and 8 small and medium-size cargo berths.

[Question] What principles will be observed in constructing the harbors of the opened coastal cities during the Seventh 5-Year Plan?

[Answer] Our principles may be summarized as follows:

1. Simultaneous construction of large, small and medium harbor construction projects: While building a number of large harbors with modern equipment and under modern management, and to play a key role in the handling of heavy traffic, we should also build a number of small and medium-size harbors to share the burden of the large harbors and to serve the economic development of the local areas. In the harbor areas, there should be deep-water berths as well as small and medium-size berths and barge service.

2. Building a collection and distribution system of different modes of transportation for the harbor: Besides railways, we should give full play to the roles of highways and waterways in collecting and distributing loads for the harbors. In places where conditions permit, we should simultaneously provide facilities for ships to be berthed at the wharves and to be served by barges.

3. Strengthening the technical transformation and scientific management of the existing harbors: Technical transformation will be focused on the use of advanced technical equipment and efficient loading/unloading techniques as much as possible in order to change the appearance of the old berths in the major harbors along the coast and the inland rivers and to improve their efficiency and utility. This transformation will be carried out in separate groups.

4. Implementation of the principle of relying on the resources of both the central and the local authorities so as to arouse enthusiasm in various quarters and to raise funds through various channels: For the construction of berths in the harbors included in the state plans, the state will undertake the investment in underwater engineering, while the harbor bureau or the business unit concerned will raise their own funds for the surface installations. Investment for the construction of small and medium-size

harbors will come primarily from the localities. The various provinces, autonomous regions, and municipalities directly under the central government forming the background of these harbors should build the necessary wharves and auxiliary facilities with their own resources, individually or combined. The rights of ownership and use belong to the investors.

5. Upholding the policy of opening to the outside world and actively bringing in and utilizing foreign funds and advanced technology: In the future, we should open more avenues for the use of foreign funds, and support and help the local governments make use of the strong points of the opened cities in an effort to obtain foreign loans for harbor construction. The communications sector should offer more preferential terms and adopt some special policies to welcome foreign merchants and overseas Chinese to come to China for joint ventures in the construction of the communications infrastructural facilities.

6. Adoption of the public bidding system to increase the efficiency and results of harbor construction: In the future construction of China's harbors, the capital construction units of the communications sector, as well as capital construction enterprises of other sectors and the localities, can all make bids, which will encourage competition. In the construction projects for which foreign funds will be used, international biddings will be conducted. The bidding can be for a whole series of projects or for only a single project.

9411

CSO: 4006/449

FINANCE AND BANKING

CHINA TO ADJUST INTEREST RATES ON SAVINGS, LOANS

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 9, 4 Sep 85 pp 10-11

[Text] On 22 July, the State Council approved and transmitted a report by the People's Bank of China on adjusting interest rates on savings deposits and fixed assets loans, demanding that all departments concerned comply with it.

The report by the People's Bank proposes to adjust existing interest rates on savings deposits and fixed assets loans in order to improve the economic results of fixed assets investments and better control the scale of such investments. The proposed adjustment is also intended to coincide with this year's wage and price reforms and stimulate the withdrawal of money from circulation. Details are as follows:

1. Increase interest rates on time savings deposits in a major effort to expand savings. Annual interest rates on 6-month, 1-, 3-, 5- and 8-year time deposits will go up from the present 5.4, 6.84, 7.92, 8.28 and 9 percent to 6.12, 7.2, 8.28, 9.36 and 10.44 percent, respectively. Interest rates on current deposits will remain unchanged. The Overseas Chinese Bank should make corresponding adjustments to the interest rates on RMB deposits and other types of deposits such as those which allow a depositor to deposit a lump sum and withdraw it piecemeal, make piecemeal deposits and later withdraw in a lump sum and deposit principal and withdraw interest.

To develop their savings business vigorously, banks should take these measures: (1) Actively mobilize all organizations, military units, enterprises and institutions to act as their agents to collect savings deposits. Banks should designate a savings agent at each unit to attract savings deposits. The agent will be paid a fee calculated in accordance with regulations. Party and government leaders everywhere should strongly support this effort and all units should enthusiastically act on behalf of the banks. The management of the work of savings agents should be strengthened and guidance for them intensified. (2) Increase the number of points where people can open savings accounts and the number of personnel. The initiative of existing savings personnel must be mobilized. Outstanding personnel may be rewarded, if necessary. (3) Introduce a multitude of savings accounts, eg., those which give depositors prizes or enable them to buy houses or durable consumer goods.

2. Increase interest rates on fixed assets loans. It is proposed that the two kinds of interest rates, on technological modernization loans and capital construction loans, respectively, be combined into one to be known as fixed asset loans interest rate. A system of differential interest rates will be introduced under which the rate varies with the maturing period of the loan. Interest rates on fixed asset loans will be appropriately increased to put an end to the existing unreasonable situation in which such rates are lower than those on circulating fund loans and on savings deposits. Specifically, the annual interest rates on 1-, 3-, 5-, and 10-year loans and beyond 10 years will go up from the current 5.04, 5.76, 6.48, 7.2 and 7.92 percent to 7.92, 8.64, 9.36, 10.08 and 10.80 percent, respectively.

The above rates will also apply to fixed asset loans to urban, town, and collective enterprises. Interest rates on production equipment loans to township and town enterprises should also be increased accordingly in light of increases in their counterparts for fixed asset loans.

As for interest rates on loans in lieu of government appropriations, this year we will follow the "Provisional Regulations concerning the Change in the Method of Financing of Budgeted Capital Projects from Appropriations to Loans," drawn up by the State Planning Commission, the Ministry of Finance, and the Construction Bank. In the future, the combined fixed assets loan rates will apply.

3. With higher interest rates on fixed asset loans, the central and local governments should undertake projects and a low profit margin [non sequitur as published], such as key national projects in energy, building materials and transportation, and certain technological modernization projects. A system of interest subsidies may be adopted, if necessary, under which whoever develops a project will also be responsible for the interest subsidies. Detailed interest subsidy methods will be worked out by the State Planning Commission and State Economic Commission in consultation with the departments concerned. Banks are authorized to suspend credit to projects that have low economic results and where there is no assurance that the loans will be paid off with interest. When a bank considers a project in the state plan ineligible for a loan, it should make known its views as soon as possible so that adjustments may be made by the departments.

4. After interest rates on savings deposits are adjusted, there will be a decline in the amount of savings that credit unions will be able to attract and deposit in banks. To encourage rural credit unions to develop savings business, banks may make up the shortfall as appropriate to shield the unions from losses.

5. Interest on fixed asset loans shall be calculated and collected on a quarterly basis. Interest on all deposits and loans made before rate adjustment will be calculated on a sequential basis.

The above interest rate adjustment plan will go into effect on 1 August 1985.

Table 1: Interest Rate Adjustment Scheme for Lump-Sum Deposits for Piecemeal Withdrawal and Piecemeal Deposits for Lump-Sum Withdrawal by Urban and Rural Individuals and RMB Deposits by Overseas Chinese

Lump-sum deposit & piecemeal withdrawal, piecemeal deposit & lump-sum withdrawal, withdrawal of interest only		Existing Interest Rates		Adjusted Interest Rates	
		Monthly%	Annual%	Monthly%	Annual%
Time Deposits by Urban, Rural Individuals	1 yr.	4.5	5.40	5.1	6.12
	3 yr.	5.7	6.84	6.0	7.20
	5 yr.	6.3	7.56	6.6	7.92
RMB time deposits by overseas Chinese	1 yr.	6.0	7.20	6.9	8.28
	3 yr.	6.9	8.28	7.8	9.36
	5 yr.	7.5	9.00	8.7	10.44

Table 2: Adjustment Scheme for Interest Rates on Fixed Assets Loans

Type of Loan	Present Rates		Adjusted Rates	
	Monthly%	Annual%	Monthly%	Annual%
1. Fixed assets loans:				
Up to 1 yr.	4.2	5.04	6.6	7.92
Between 1 & 3 yrs	4.8	5.76	7.2	8.64
Between 3 & 5 yrs	5.4	6.48	7.8	9.36
Between 5 & 10 yrs	6.0	7.20	8.4	10.08
Above 10 yrs	6.6	7.92	9.0	10.80
2. Loans in lieu of appropriations	3.0	3.60	Unchanged for the time being	

Table 3: Adjustment Scheme for Interest Rates on Savings Deposits

Type of Deposit		Present Rates		Adjusted Rates	
		Monthly%	Annual%	Monthly%	Annual%
Savings deposits	Current time	2.4	2.88	unchanged	
by urban, rural individuals	6 mo.	4.5	5.40	5.1	6.12
	1 yr.	5.7	6.84	6.0	7.20
	3 yr.	6.6	7.92	6.9	8.28
	5 yr.	6.9	8.28	7.8	9.36
	8 yr.	7.5	9.00	8.7	10.44

Interest rates have a dual function in modern economic life:

1. Macroeconomically, interest rates regulate the total money supply. By increasing interest rates, the government raises the cost of borrowing money and tightens the money supply. On the other hand, by lowering interest rates, it creates additional demand for credit and relaxes its grip on the money supply.

2. Microeconomically, interest rates are a tool of selective support. By offering lower-interest loans to reputed enterprises with good economic results and higher-interest loans to poorly-run, low-profit enterprises, banks help reduce the former's interest payments, thus sharpening their competitive edge, while heightening the possibility of the latter's elimination as a result of higher interest payments.

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CSO: 4006/122

FOREIGN TRADE AND INVESTMENT

TECHNOLOGY-FIRST IMPORTATION PROMOTED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 7, 5 Jul 85 pp 13-16

[Article by Chen Jingcheng [7115 2529 4141]: "Problems in Technology Absorption"]

[Text] As the open door policy has become an accomplished fact, China's technology import has entered a new stage. In the 6-year period from 1979 through 1984, Fujian imported a total of \$490 million worth of technology and equipment using government foreign exchange and foreign capital (the actual amount of foreign capital used was \$168 million), and RMB funds for importing complete sets of equipment were approximately 2 billion yuan, equivalent to Fujian's investments in fixed assets in a year and a half. If we make good use of these imports, they will go a long way toward changing Fujian's backward look and enable us to quadruple our gross industrial and agricultural output value earlier than scheduled.

We import technology in order to absorb [xiaohua 3194 0553] foreign scientific and technological achievements and apply them to our modernization. But the absorption of advanced technology observes its own laws. Only by coming to grips with such laws, mapping out a correct strategy, and combining absorption with innovation can we truly spur modernization.

A. An Effective "Absorption" Policy Stems from an Effective "Import" Policy

The object of absorption is imported technology. To absorb the world's advanced technology in a systematic way, we should hammer out an effective strategy based on other countries' experience in technology absorption and tempered with China's own realities. Accordingly, we must begin by exploring the basic issue of what is an effective import policy.

What is technology import? This question has generated much controversy in China for many years. Internationally, "technology import" is known as "technology transfer." The draft text of the "International Technology Transfer Regulations," drawn up by the United Nations [UN] on 20 April 1981, defines "technology transfer" as the "transfer of the systematic knowledge of manufacturing a product, applying a process or providing a service, but does not include the simple buying, selling or leasing of goods." Therefore, technology import is not the buying or selling of conventional commodities or equipment, but is a form of trade in technical knowledge, or at least one

dominated by technical knowledge. (For instance, it includes the key equipment that accompanies technical licensing trade.) According to this guiding principle, technology import is the import of "software," or of "software" predominantly. In other words, it is dominated by intangible intellectual products, not tangible ones.

There are some who argue that the material embodiments of patented inventions or technologies--key equipment, testing methods, and even production lines--should also be included in the scope of technology import; that is, equipment purchases are also technology import and that technology import should not exclude the purchase of equipment. In the past, this view was the conventional wisdom in China. According to statistics, of the over \$10 billion worth of imports we have contracted for since the 1970's, plants accounted for 80 percent and single pieces of equipment 17 percent, while genuine technology imports only 3 percent. Plants made up 89 percent of imported technology and equipment in the 1950's, 90 percent in the 1960's, and were a high 95 percent in 1978-79. Of the 407 pieces of technology approved for import by Fujian Province in the 6 years from 1869 to 1984, only 3 were genuine technology imports, namely, Japan's piston ring technology imported by Nanping Automobile Assembly Plant; the Italian Lu-Que [phonetic] Co's patented technology and equipment for cephalosporin imported by Fuzhou Antibiotics Plant, and Zanussi Co's patented refrigeration technology and production lines imported by Zhangzhou General Machinery Co. With a total price tag of \$3,582,700, they represent 1.15 percent of total outlays for imported technology, or 27 percent if we include Xiamen's purchase of a production line from Kodak Co to make sensitive materials, a project which still awaits government approval. We are a laggard in the field of technology import compared to Shanghai. In recent years, about 70 percent of the technology imports of Shanghai's electrical machinery industry were predominantly "software."

Needless to say, there is a stage when it is imperative that we extensively import key equipment and production lines so as to speed up the modernization of fixed assets. The need is made particularly urgent by the disruption and destruction caused by the "Cultural Revolution." Our industrial equipment is suffering from severe wear and tear, has become obsolete and cannot do a good production job, so there is a dire need for new equipment to expand our reproduction capacity. If we fail to make use of favorable circumstances and import advanced equipment at the right time, but choose instead to make our own hardware after we have absorbed the imported technology, our rate of development may be affected. But we should see that this kind of import is an inferior form of import and strategically undesirable. We should outgrow this stage as soon as possible and import mostly technology instead of equipment for the following reasons:

1. That we import mostly technology is dictated by the need for China's science and technology to catch up with the world's explosive technological revolution. The UN definition of technology transfer is a crystallization of international experience. We should follow it in order to improve the standard of China's technological development and put our industrial development on a level where it can absorb and assimilate relatively advanced science and technology.

2. With our solid industrial base, we have an immense capacity for absorbing imported science and technology. Since the establishment of the People's Republic of China, both our industrial technology and material base have made much progress. We have millions of scientific researchers and engineering and technical personnel and 800 billion yuan worth of fixed assets. Our machine tools alone number 3 million. We still need to import a small number of sophisticated plants and numerous pieces of key equipment in the days ahead. But the most elementary stage when our technology imports were dominated by plants is over. Now we must leap through as soon as possible the intermediate stage during which we import mostly single pieces of machinery and key equipment and steadily enter the stage when we import mostly technology.

3. The import of "software" economizes on foreign exchange. The import of technology, equipment and production lines all costs huge sums of money and cannot go on for long, whereas the import of technology, that is, the import of design blueprints, technical data and patented and licensed technology, is much less expensive and we can use the foreign exchange thus saved to finance other developments. If too much foreign exchange is spent to purchase machinery, there will not be enough left to invest in the absorption of technology and technology import itself becomes less than totally useful. At present, our province's 200 scientific and technical research units are so acutely short of funds, particularly foreign exchange, that the import of prototypes and absorb technology is completely out of the question. Only with great difficulty can the most enterprising of them manage to raise some foreign exchange on their own to carry out technology absorption in a small way.

4. Avoid duplication and irrational import. By making technology and not equipment the bulk of our imports, we can absorb foreign technology piece by piece in a more systematic, goal-oriented way and promote the development of technology at home. But when we import mostly hardware, we tend to be unduly concerned with instant productivity gains. We tend to focus on what we can use right now and ignore actually making what we can use. Since whoever has foreign exchange can import equipment, the result is widespread duplication and irrational import. In the past few years, Fujian imported a total of 14 high-frequency vacuum canning production lines, over 100 injection molders, scores of knitting machines of all kinds, and dozens of freezers of various types. These imports have much to do with the double-digit growth rate of the province's gross industrial output value last year. But since most of these imports are hardware, not technology, the output growth rate cannot be sustained for long because it is not built upon the autonomous development of technology absorption and hence lacks staying power. An imported piece of technology has to be replaced when it wears out. Moreover, we even have to import spare parts.

We are not opposed to the import of key equipment or single pieces of machinery under certain circumstances. But we should regard such imports as commodities and not lump them together with technology imports. Only thus can we preserve the import of technology as a special area essential to achieving the four modernizations and apply special policies and management. Only thus can we catch up with and surpass international technological standards.

B. Stumbling Blocks to Technology Absorption

By clarifying the guiding principles for technology import, we have objectively set the strategic direction for the absorption of advanced technology. And the success and otherwise of absorption determines the outcome of technology import as a whole and plays an important part in the historic process of catching up with the world technologically. At present, however, there still exist in China many stumbling blocks to technology absorption.

First, we lack a clear and long-term industrial development strategy. Nor do we have a coordinated strategy linking together all sectors and all regions. Technology absorption is not an end in itself but should serve the needs of social production and consumption and depends on the development strategy of production and technology. As far as our province is concerned, we still do not have a clear industrial development strategy as yet and there is no consensus on which mainstay industries we should develop. Hence the high degree of irrationality with which we import, absorb and develop technology.

Moreover, the state does not have a sound and well-coordinated management system when it comes to importing technology. The state management currently in existence is generally confined to project examination and approval and becomes downright superficial in such important areas as absorption (How should a piece of technology be absorbed? By whom?) and popularization (refinement, innovation). We have an import plan, but no absorption plan. We emphasize the import of equipment and ignore that of technology. The scientific and technical development plans of the science and technology commission are divorced from the import plan of the economic and planning commissions. The science and technology commission has not been allowed to play its full managerial, guiding, and leadership roles in technology import. Today, many technology import departments have become in effect foreign material procurement departments, while overseas study missions have become mere buying missions.

Nor has there been a systematic effort to draw up laws to regulate technology import. In fact, legislation in this area lags badly behind other forms of economic legislation. Essentially a government management system in technology import has yet to take shape.

Third, we are seriously short of funds, materials and personnel to carry out technology absorption. One of our most glaring problems at the moment is that while we have the foreign exchange and funds to import technology, we do not have similar resources to absorb it. To develop technology, the Fujian Mechanics Research Institute has no choice but to pinch and save to come up with some foreign exchange on its own in order to absorb some of its less sophisticated imports. Enterprises are even less able to raise funds to absorb technology. Developed nations spare no money to invest in research and development [R&D]. Whatever they cannot absorb they will not import. In China, however, it is extremely difficult to raise funds for absorption. In Japan, 72 percent of R&D funds come from the private sector and only 28 percent are provided by the government. We are the first province in the country to put stress on intelligence. And technology absorption is an

important aspect of developing intelligence. As things now stand, the dire shortage of funds and foreign exchange for technology absorption is primarily caused by their misuse. We pay so much attention to import that we ignore assimilation. Some joint ventures spend foreign exchange importing such things as banisters, doorknobs, and screwdrivers. Others are even more irresponsible and insist that even their sofas, swivel chairs, and bedpans be foreign-made. Meanwhile scientific research and design departments are starved for funds, for artificial reasons and not because there is an actual shortage of money. As for materials and personnel, they are even more rarely made available to the assimilation departments.

There are other factors impeding technology absorption. For instance, the interflow of scientific and technical information is less than smooth; channels are few and access to data is limited. There is no guarantee for the material incentives of absorbing and popularizing imported technology. Also lacking is a scientific verification system for imported technology. And so on. All these problems must be solved urgently.

C. An Exploration of Technology Import and Absorption Policies

1. We must map out our technology development strategy and increase the contribution technology makes to national economic growth. In this way, the absorption of imported technology will play an effective role in promoting technology development. Statistically, the application of scientific and technical achievements accounts for 70 percent of the growth of the Soviet economy in the late 1970's. From 1965 through 1970, about 76 percent of the growth of the Japanese economy was fueled by technical innovations and the application of new technology. Science and technology are increasingly stimulating productivity. From 1979 through 1982, the contribution of technical progress to the growth of China's gross industrial output value was 26.8 percent. Since Fujian is relatively backward in science and technology and has less than 200 scientific and technical organizations, 40 percent fewer than Guangzhou, the contribution attributable to scientific progress is correspondingly lower than that in Guangzhou. Hence it is imperative that we take technology development even more seriously and strengthen the guidance and planning in technology absorption and increase investments in that area. We must fully understand that to bridge the economic gap, we must first narrow the scientific gap. We must be firmly resolved to change our former unworkable approach of solely relying on equipment and labor and discard our preoccupation with instant, short-term gains.

2. We must establish a technology import management system which revolves around absorption. To strengthen our leadership over technology import, we should set up a powerful and centralized national technology import agency to exercise leadership over the selection of technology for import and the planning of industrial technology development, coordinate between technology development and technology import, oversee the absorption, popularization and planning of imported technology, and draw up laws and policies to regulate the import of technology. In this way, we can put an end to the fragmentation characteristic of the way in which the government now manages imported technology. As far as project evaluation and assessment is concerned, the absorption plan of a piece of imported technology should be more strictly

examined before approval is granted so that whatever is imported can really be absorbed. Imported technology should be classified in accordance with a number of criteria and governed by different absorption plans. Specifically, an item which involves sophisticated technology, is expensive and must be marketed nationally, should be included in the state imported technology absorption plan. Alternatively, its absorption can be jointly undertaken by the central government and a province. If a province has the technical and financial capability to absorb and popularize a piece of technology, it should be allowed to do so. If an enterprise or a scientific research unit can absorb an item, it should be included in the enterprise's absorption plan. All these evaluation and classification procedures should be part and parcel of the examination-and-approval process so that import and absorption are integrated.

3. Economic mechanisms should be adopted to ensure successful absorption. The following preferential measures may be taken: (1) Import preference: Tariffs may be lowered on all equipment used in absorption, research and vocational training. Their tariff rates must be made lower than those on imported production equipment. (2) Product tax preference: Under the present system, an enterprise must pay taxes and repay loans before it can derive any benefit from technology absorption. It is proposed that within a specified number of years we waive or reduce the income taxes payable by an enterprise on the earnings derived from the sale of products resulting from the absorption of a piece of technology. This is designed to promote enterprise attention to and enthusiasm for technology absorption. (3) Funding preference. An allowance should be paid to an enterprise covering 50 percent of what it spends to import "software" and on related technological research. Moreover, there should be a 3-year accelerated depreciation for research equipment. There should also be preferential interest rates for loans to enterprises which carry out their own absorption. (4) Preference for absorption achievements: Such achievements should be treated in the same way as scientific research achievements and made eligible for material rewards. (5) The absorption achievements of a scientific research unit or enterprise are converted into products by manufacturing units. If the scientific research unit has raised its own funds, it should be reimbursed by the department that applies the achievement.

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CSO: 4006/140

FOREIGN TRADE AND INVESTMENT

EVALUATION OF ECONOMIC RESULTS OF FOREIGN TRADE DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 7, 5 Jul 85 pp 19-21

[Article by Zhang Songtao [1728 2646 3447]: "Economic Results of Foreign Trade Are Not Completely Quantifiable"]

[Text] How should we interpret the economic results of foreign trade? What should be their scope? How should we comprehensively analyze and correctly evaluate them so that we can come close to reality? For some time, comrades both in academe and the field have expressed their opinions and spoken out on these issues, which shows that the economic results of foreign trade are a complex problem with profound practical implications. Because foreign trade itself is unique, its economic results inevitably exhibit the characteristics of the various economic sectors and industries and mean more than what is generally understood as economic results. On the other hand, they are also different from the economic results of some industries and economic sectors. The uniqueness of the economic results of foreign trade manifests itself in essentially the following forms:

I. Their Macroeconomic Nature

China's foreign trade is state-controlled trade based on the socialist system of public ownership. All our foreign trade activities are under the centralized leadership and management of the state and conducted in accordance with the national economic plan and foreign policies. State control is indispensable to safeguarding our political and economic independence and ensuring the success of socialist modernization. State-controlled foreign trade must also take overall national interests as its point of departure and its goal. In making any deal and undertaking any trade activity, we must consider the national interest first and foremost. The economic interests of the various departments, regions and enterprises involved in foreign trade do not give us a real picture of the overall economic results of foreign trade. We must take national interest as our starting point and go all out to obtain better economic results. Such is the macroeconomic nature of the economic results of foreign trade.

Such a macroeconomic nature embraces a wide area. Owing to lax management, for instance, a number of ports in recent years have irrationally been competing with one another in the export of certain products, cutting prices

in order to promote sales, to the benefit of foreign businessmen. Although one particular region or sector may have made a small profit and even obtained so-called good "economic results," the state as a whole has suffered tremendous losses and the overall economic results of foreign trade have been meager. Not only do foreigners get a good deal, but we also frequently find ourselves the target of anti-dumping charges. As a result, we may have to pay an anti-dumping tax, be subject to quota restrictions, or be driven out of the market. On the other hand, if only we strengthen central management, always keep national interests in mind, coordinate the trading activities of our various ports, centralize our foreign trade, and set and increase prices jointly, we will be able to turn this unfavorable situation around and obtain better macroeconomic results.

As we try to understand and handle the macroeconomic results of foreign trade, we must also take pains to sort out their relations with the microeconomic results of individual foreign trade enterprises (sectors, regions). The microeconomic results of foreign trade are consistent with its macroeconomic counterparts in some ways and differ from them in others. In the course of managing these relations, we must give priority to the macroeconomic results of the state while accommodating those of enterprises (sectors and regions) in order to maximize the former.

The uniqueness of the macroeconomic results of foreign trade also manifests itself in the way they combine with diplomacy to create a positive and stable international environment for China's four modernizations. Foreign economic and trade work is duty-bound to ignore "minor or local" gains or losses so as to obtain an international economic and political situation favorable to China's modernization. Accordingly, the macroeconomic results of foreign trade must also include these aspects.

II. Global Nature

Foreign trade activities transcend national boundaries. Consequently, as we make use of two kinds of resources, open up two markets and acquire two sets of skills in order to serve the four modernizations, we must inevitably examine the economic results of foreign trade in the context of the world's ever-changing political and economic situations and find out where they stand in the shifting sands of the world economy and politics. Only by placing the economic results of our foreign trade in a "global" framework can we determine objectively and realistically whether our economic results are good or bad, whether they indeed help or hinder our four modernizations and to what extent. Such is the so-called "global" nature of the economic results of our foreign trade. If we ignore this aspect and fail to consider matters from a global perspective, we will certainly end up taking a one-sided view when we analyze and evaluate economic results. We should develop a long-term, dynamic viewpoint, relate our foreign trade development to the overall world economic situation, paying particular attention to changes in the capitalist world as it goes through its economic cycle from recession through recovery to boom, make the most accurate forecast possible, and plan our own export and import accordingly on a long-term basis. Since most of our trade today is with capitalist nations and regions, booms and busts in the capitalist world affect us considerably. This will be particularly true as we take the first steps

toward pegging domestic prices to international market prices after defining the direction of price reform and adopting an agency system for our imports and exports. When these changes are in place, it will become even more important for us to keep a watchful eye on the mercurial world market. As a go-between bringing together production enterprises (users) in the country and the international market, foreign trade enterprises play a role in promoting production and expanding exchange, on the one hand, and necessarily introducing into the country an array of positive and negative influences and elements from the international market, on the other. These influences and elements help our enterprises upgrade and modernize their products and intensify the pressure on them to compete. But they also make the domestic economy more vulnerable to conditions in the outside world. In light of this analysis, we should consider taking the following measures to invigorate our foreign trade as one way of speeding up the four modernizations. During a recession, we may perhaps import more than we export and run up a trade deficit. As the world economy recovers and bounces back, we should aim for a trade surplus by exporting more and importing less. Also, we should have in hand a certain amount of foreign exchange reserves and flexibly seize the initiative in foreign trade in a timely way in accordance with long-term dynamic equilibrium. At the same time, we should also vary the exchange rates between RMB and foreign currencies as the situation demands. Adjustments should be made with an eye to maximizing imports or exports, depending upon needs at the time. Needless to say, other appropriate policies and measures should also be taken to reinforce these moves. For instance, when imports exceed exports, we should consider these questions: How should we go about increasing domestic sales and redirecting some enterprises toward producing for and hence enriching the domestic market? How do we keep our old customers and existing markets overseas? When exports exceed imports, it is a different set of questions: How do we go about importing the equipment and technology sorely needed at home for key projects? How do we ensure the stable supply of certain raw materials? And so on. In planning our foreign trade, we must take into consideration changes in the world economy and incorporate them into the set of factors to be weighed in drawing up the nation's medium- and long-range economic and social plans. Only thus can our foreign trade be profitable and earn foreign exchange in a fiercely competitive world market as well as ensure economic development at home and promote market stability and prosperity.

III. The Complexity Of Calculation

In a macroeconomic sense, another characteristic of the economic results of foreign trade is the complexity involved in calculating them. They are not readily demonstrated. There are two ways in which we can interpret the macroeconomic results of foreign trade.

A. We can measure the magnitude of their value. If we are to assess the macroeconomic results of foreign trade by looking at the magnitude of its value, we must establish a system of scientific indicators. The existing indicators such as the foreign exchange earned for every dollar worth of export, circulating fund turnover time, and export fee rate cannot fully measure and correctly evaluate the macroeconomic results of foreign trade. The position of foreign trade as part of circulation (not directly involved in

production), its orientation to the international as well as domestic markets, its subjection to two price systems and artificially fixed exchange rates, and the need to take into consideration such objective factors as diplomatic needs--all this determines that we must weigh a variety of factors in assessing the macroeconomic results for foreign trade instead of basing our judgment on a few indicators. It should be pointed out that the presence of a surplus or deficit, which is much-discussed these days, is no indicator of satisfactory or unsatisfactory macroeconomic results. At most, we can use them to compare, up to a point, the ways in which foreign trade enterprises conduct business. In other words, we can judge the microeconomic results of economic entities in foreign trade by finding out whether they have a trade surplus or deficit, taking into account the variety of objective factors under which they operate. (Even here no strict comparison is possible because specific conditions differ from enterprise to enterprise.) To facilitate the assessment of the macroeconomic results of foreign trade by measuring its value, I propose below a number of indicators for discussion in the hope that together we can one day fashion a comprehensive system of indicators:

1. China's export and import commodity price ratio: This indicator measures the level of China's terms of trade. Essentially it is a ratio between the amount of goods an enterprise can obtain in return for the amount of goods it exports, that is, it measures the rationality or otherwise of the relations between the general level of China's export prices and that of its import prices. This indicator brings together the accounting of export commodities and that of imports to see if it is possible to obtain a higher import commodity value (use value) in return for a lower export commodity value (use value). At present a majority of our exports are primary products, putting us at a disadvantage in international exchanges. This inequity is also reflected in the price ratio. Nevertheless, the price ratio remains a useful gauge of the macroeconomic results of foreign trade.

2. Taxes and profits which accrue to the various sectors of the economy and are derived from foreign trade: This is an overall indicator of the amount of taxes and profits generated by trade activities for the various sectors in the national economy (excluding the foreign trade sector itself). They include: (1) tariffs; (2) taxes on the production of export commodities; (3) taxes on imported raw materials after production; and (4) part of the taxes derived by the commercial sector from the sale of imported commodities. Although taxes and profits are attributable to sectors other than foreign trade and should not be credited to foreign trade entirely, this indicator does reflect the macroeconomic results of foreign trade within a specified period of time.

3. Maintaining a basic dynamic equilibrium in the foreign exchange revenue and expenditure of foreign trade: This dynamic indicator analyzes the macroeconomic results of China's foreign trade by looking at the trade balance. It is not good to run up a trade deficit for long. Nor is it good to pile up surplus after surplus. A lack of foreign exchange reserves is undesirable, as is an excess. This indicator examines whether the foreign exchange in foreign trade is balanced or otherwise as a way of determining the macroeconomic results of foreign trade.

In addition, we should come up with other indicators to make up a comprehensive system.

B. We cannot determine the macroeconomic results of foreign trade by looking at its dollar value. This second way of assessing its results was ignored in the past and should now be placed in its rightful position. Macroeconomic results manifest themselves in at least the following ways:

--Their contributions to industrial and agricultural production, scientific and technical progress, the transmission of new technology, new equipment and new processes.

--Their contributions to various fronts and sectors including diplomacy, defense, sports and health.

--Their contributions to social stability, expanded production and employment.

--Their contributions to bringing about a flourishing market, promoting consumption, withdrawing currency from circulation, and improving living standards.

Such manifestations will remain unquantifiable in the short run, but they do indicate to a large extent the macroeconomic results of foreign trade.

IV. Long-Term Results

One of the important roles foreign trade plays in our four modernizations is to import advanced technology and, through exchange and a careful process of selection, to secure raw and processed materials, equipment and machinery useful to our development. This role takes a long lead time to make its presence felt in the macroeconomic results of foreign trade. This long-term characteristic is particularly obvious for large and medium-sized imported basic construction projects, which will be the backbone of our national economy for a long time to come. We should not overlook this characteristic when we investigate its macroeconomic results.

To sum up, the economic results of foreign trade are macroeconomic, global, and long-term. They are also very difficult to measure. We should realistically look for effective ways to improve such results in the light of these special features.

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CSO: 4006/140

TRANSPORTATION

REPORT ON DEVELOPMENT OF AIRPORTS, AVIATION INDUSTRY

Hong Kong JINGJI DAobao [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85
pp 34-35

[Article by Tian Hui [3944 1920]: "Building Airports, Developing the Aviation Industry"]

[Text] "Building airports and developing the aviation industry" is one of the new tasks now confronting China's communications and transportation authorities.

I

The rapid construction and commissioning of Xiamen Airport has produced remarkable results in opening the country to the outside world and invigorating the domestic economy. Because of this success, there is now a feverish demand for airport construction throughout China.

More than 60 cities have submitted reports to the state on the construction or expansion of airports in the past year, and 22 of them have already received approval. They are Qinhuangdao, Shijiazhuang, Tanggu (Tianjin), Shanghai, Lianyungang, Qingdao, Jiujiang, Wenzhou, Ningbo, Yancheng, Guangzhou, Shantou, Haikou, Meixian, Changsha, Chongqing, Xi'an, Shenyang, Dalian, Changchun and Beihai. The demand for the construction of large international airports in Shenzhen and Zhuhai is also becoming more and more urgent.

This year, the funds to be used by the state for airport construction have increased 50 percent over last year. These funds are earmarked for the expansion of airports in Chongqing, Beihai, Wenzhou, and Meixian, and for the construction of airports in Shantou, Haikou, Dalian, Qingdao, Shenyang, and Changchun. State allocations will also be made for the building of air terminals in Yantai, Ningbo, Qinhuangdao, Lianyungang, Jiujiang, Sanya, Nantong, and Yancheng. Most of these projects will be completed and turned over for use within this year.

In the construction of China's airports, priority will be given to the open coastal cities, the SEZs, the economic centers, and the tourist centers, and due consideration will be given to the frontier and minority regions.

Of the 14 open coastal cities in China, 10 are already open to air traffic, while the remaining 4--Qinhuangdao, Nantong, Wenzhou, and Beihai--are making full use of their existing facilities for the construction of air terminals so that they too can be opened to air traffic as soon as possible. Xiamen and Shantou SEZs are already open to air traffic, while the other two, Shenzhen and Zhuhai, are now conducting feasibility studies on the choice of sites.

China's economic centers in Chongqing and Wuhan and its tourist center in Xi'an want to build large airports and have already chosen the sites. The requests of Yinchuan, Xi'an, Lhasa and Yulin for airport construction are being seriously considered by the state.

With a territory of 9.6 million sq km and nearly 300 cities of three sizes, China has only 70 civilian airports, whereas Canada, with a similar territorial area, has 564. The United States has 5,650, the Soviet Union 3,000, and India 220. Of China's 70 airports, only 30 can accommodate large and medium-size airplanes. Since large airplanes are now commonly used, China's airports are definitely inadequate. Furthermore, the airports' infrastructural facilities are rather backward. China's vice premier Li Peng [2621 7720] pointed out: The air disaster which occurred in Jinan in January this year was caused by the poor weather and faulty pilotage, but more important still, by the very poor airport facilities. China's civil aviation must be armed with modern equipment, modern technology, and modern management as soon as possible.

Some experts in this field believe that China's airports are small and poorly equipped mainly because of inadequate investment. In the past 30 and more years, the total investment in airport construction was less than 1.1 billion yuan. Furthermore, the airports were irrationally planned, since some of them are too large, causing waste of money and producing poor economic results. Examples of them are the airports in Hefei, Harbin, and Xichang. In view of the shortage of funds to meet the urgent needs, it is all the more necessary to more carefully plan airport layout. How large should the airports in the 14 open coastal cities be? How many should be built? Is it proper for so many provinces and cities to request the construction of international airports? All these questions should be carefully studied and settled by the pertinent departments.

II

In studying China's aviation transport, we may find from the following statistics the speed and potential of its development. The number of passengers carried was 910,000 in 1974, 2.19 million in 1978, 3.55 million in 1982, and 5.5 million in 1984, with an annual increase between 20 and 40 percent. Now, the tourists at home find it more and more difficult to buy air tickets.

One of the most acute problems hindering the development of China's air transport is insufficient capacity. There are too few airplanes and too many of them are obsolete. No new planes were added to the fleet on domestic routes between 1978 and 1982, and the strain on the traffic handling capacity has become increasingly serious. Most of China's present aircraft are

outdated, including the An-24s and Il-14s, made in the Soviet Union in the 1940s and 1950s, and the Tridents, manufactured in England in the 1960s. If the fleet remains un replenished for a long time, China's aviation will certainly lag behind current developments.

Former CAAC Director Shen Tu [2088 0956] pointed out some days ago that if China wants to develop its air transport, it must resolutely do away with its obsolete aircraft and replace them with large, new modern models. Every effort should be made to basically change this situation in meeting the needs of passenger and cargo traffic.

Starting this year, CAAC will phase out 15 outdated Il-14s and overhaul the Tridents. At the same time, it plans to purchase a number of large and medium-sized aircraft, and three "air buses" will be delivered in June. There will also be Tu-154 from the Soviet Union, Boeing 747 from the United States and some small passenger planes from England. These planes will gradually arrive within this year. People in the aviation circles believe this to be CAAC's first step forward toward modernization.

The new plane will be used on the routes between Beijing, Shanghai, Guangzhou, Fuzhou, Xiamen, Chongqing, and Xi'an. To increase the daily utilization of aircraft, CAAC will add more scheduled flights so that the number of passengers this year will be 1 million more than last year.

To meet the needs of future large-scale civil aviation development, CAAC is now stepping up the training of personnel. A modern training center has been set up at Tianjin Civil Aviation School, and the students have been enrolled for the first term. CAAC has dispatched 40 attractive air stewardess who are conversant in foreign languages to Japan Airlines and Air Nippon for special vocational training. These stewardesses will begin with basic training in the way to walk, to sit, to stand and to stoop gracefully. They will also learn the way to handle emergencies, such as forced landings, hijacking, and fire. They have studied hard with fairly good results, much to the satisfaction of their Japanese tutors. CAAC now has nearly 1,000 crew members, and will continue to send some of them to Japan, Europe, and Hong Kong for special training. Before the arrival of the new aircraft, a number of crew members will be sent for training abroad so that they will be able to master the special characteristics of these planes and improve their flying skill.

For the reform of China's civil aviation, the monopoly over this industry must be broken. The localities and enterprises must be encouraged to invest in or to buy the shares civil airlines so that an aviation industry can be set up at different levels with the coexistence of the central aviation enterprises, the local aviation enterprises and the small aviation enterprises. The reform program has already been approved by the State Council. The main features are as follows:

--To organize a China Aviation Corporation based in Beijing, mainly to take care of international flights. This corporation will be directly under the General Civil Aviation Administration.

--To organize a China Oriental Aviation Corporation, based in Shanghai, with full consideration to the needs of China's largest economic zone of Shanghai, its neighbor provinces and the coastal ports in eastern China for air transport.

--To organize a Southern China Aviation Corporation based in Guangzhou along with an overall plan for the aviation development of Shenzhen, Zhuhai, Shantou and Hainan Island, and a large-scale campaign for investment and share purchase.

--To organize a Southwestern China Aviation Corporation based in Chengdu for aviation development in Yunnan, Guizhou, and Sichuan.

--To organized a Northern China Aviation Corporation based in Dalian to handle the traffic of Heilongjiang, Jilin and Liaoning. Heilongjiang plans to set up a branch under this corporation.

--To organize a Northwest Aviation Corporation for absorbing local funds by selling stocks.

Active preparations are underway for the establishing of these corporations which will be gradually established within this year. At present, the state has already approved the establishment of the Xiamen Local Aviation Corporation and the Xinjiang Local Aviation Corporation.

Chinese airlines of various types were formed in the past 6 months, and the local airlines, military airlines and the state airlines have taken up their positions like a tripod. According to statistics, more than 30 airlines have now been formed. Before then, the State Council authorized CAAC to examine the qualifications of these airlines to make sure that they have boards of directors and managers, that their airport and navigation facilities are up to the required standards, and that their pilots, navigators, and communications personnel are duly qualified. The qualified ones were issued certificates, while the unqualified ones were ordered to suspend their operation. Hereafter, all new local airlines must apply to CAAC for approval in the interest of flight safety. Under the unified management of CAAC, they will have to compete with one another in flight safety, on-time arrival and departure and in the quality of service. The international airports and the large airports will be controlled by the state, while the remaining ones will be entrusted to the local authorities who will control the ground and air facilities separately. The planes of all airlines are permitted to use the airports on a paying basis.

The program of reform for China's civil aviation has already been determined, and its implementation is being organized. This is an important milestone in the history of Chinese civil aviation.

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TRANSPORTATION

BRIEFS

NEW DOMESTIC AIR ROUTES--CAAC has purchased more than 50 new airplanes from foreign countries. They will be used for established routes plus 25 new domestic routes that will open in mid-November. The major new routes are: Guangzhou-Urumqi, Guangzhou-Qingdao, Guangzhou-Changchun, Xi'an-Hangzhou-Xiamen, Xiamen-Nanjing, and Yichang-Changsha-Guangzhou. At the beginning of this year, CAAC opened 13 domestic routes and 2 international routes. The major domestic routes are: Harbin-Shenyang-Dalian, Guangzhou-Dalian, Harbin-Heihe, Guangzhou-Taiyuan, Shanghai-Lianyungang-Beijing, and Guangzhou-Lanzhou-Urumqi. The international routes are Beijing-Singapore and Beijing-Kuwait. Up to the present, China maintains 226 air routes, including 195 domestic routes, 6 routes between Hong Kong and the mainland, and 25 international routes. These routes total more than 430,000 km, including more than 218,000 km in international routes. [Text] [Hong Kong JINGJI DAobao [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85 p 35] 9411

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